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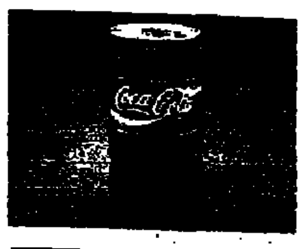
# FINANCIAL TIMES

**Packaging**
*Soft drink cans take new shapes*
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**Tag Heuer**
*Hot watch, bungled IPO*
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**Ciba**
*Why staff prefer chemicals to drugs*
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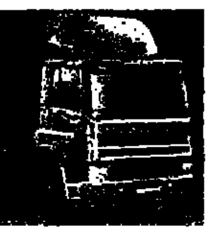

**Today's surveys**
*France: Finance*
*Commercial Vehicles*
Separate sections


World Business Newspaper http://www.FT.com TUESDAY DECEMBER 10 1996


## Growth in world trade slowed by slack demand

Growth in world trade has slowed more than expected this year because of the west's sluggish demand for consumer goods, according to the World Trade Organisation's annual report. But trade is still expanding more rapidly than world output, which is forecast to continue growing by 3 per cent this year. Page 16

**Court rules on Belgian politician:** Belgium's supreme court said the main allegations of paedophilia against deputy prime minister Elio di Rupo were unsubstantiated and there were no grounds for lifting his parliamentary immunity to enable a prosecution. Page 2

**London and Dublin still split:** A four-hour London summit meeting ended with the British and Irish governments as far apart as ever on terms for an Irish Republican Army ceasefire. Irish prime minister John Bruton issued a personal plea for an end to violence. Page 8

**Burma accuses Suu Kyi over protests:**

Burma accused members of opposition leader Aung San Suu Kyi's National League for Democracy, underground communist activists and student exiles of instigating recent student protests. Aung San Suu Kyi branded the accusation ridiculous. Yesterday , in the third rally in a week (above), some 100 students protested until dispersed by riot police.

**Yeltsin takes country air:** Russian president Boris Yeltsin moved to his Rus country residence west of Moscow for the "final stage" of his rehabilitation after a heart bypass operation.

**Virgin quits pursuit:** Richard Branson's UK airline Virgin Express is pulling out of the race to acquire France's Air Liberté, leaving the way clear for British Airways to take on the ailing carrier.

**Indonesian gold:** An Indonesian mining official said Canada's Bre-X Minerals and Barrick Gold had agreed to a government proposal for a 25-75 per cent split of the huge Busang gold property, with a 10 per cent stake for the government.

**Monsanto plans spin-off:** Monsanto of the US plans to spin off its chemicals division to shareholders and is reserving $400m to $600m to cover expected restructuring charges. The split mean the loss of up 2,000 jobs. Page 17

**Taiwan refuses China demand:** Taiwan flatly rejected a Chinese demand that it abandon its pursuit of international recognition. Beijing had made the demand as a condition for the resumption of contact with Taipei which was cut in mid-1995. Page 4

**N Koreans defect:** Seventeen North Korean defectors arrived in the South Korean capital, sparking fears in Seoul that food shortages in the North could be starting an exodus. Page 4

**Bhopal victims' treatment attacked:** The International Medical Commission on Bhopal bitterly criticised the Indian government and US chemicals company Union Carbide for neglecting victims of the world's worst industrial accident at Bhopal 12 years ago. It alleged neglect of survivors' ailments and corruption in the compensation procedure. Page 4

**New Zealand** should finally get a government today – two months after polls which gave no one party a majority. Its make-up is expected to be decided by MPs of New Zealand First, the party holding the balance of power. Page 4

**Plan for UK monarchy:** Best-selling UK author Lord Archer took the first step towards launching legislation to give women equal rights in Britain's royal line of succession. Male children currently take precedence over their sisters in their right to the throne. Page 8

**FT.com:** the FT web site provides online news, comment and analysis at http://www.FT.com

**STOCK MARKET INDICES**

| | | |
|---|---|---|
| **New York lunchtime** | | |
| Dow Jones Ind Av | 6,426.30 | (+44.35) |
| NASDAQ Composite | 1,307.44 | (+19.76) |
| **Europe and Far East** | | |
| CAC40 | 2,255.84 | (+15.12) |
| DAX | 2,857.24 | (+65.28) |
| FTSE 100 | 4,011.6 | (+48.6) |
| Nikkei | 20,603.71 | (+327.01) |

**US LUNCHTIME RATES**

| | | |
|---|---|---|
| Federal Funds | 5¼% | |
| 3-mth Treas Bills: Yld | 4.952% | |
| Long Bond | 100¾ | |
| Yield | 6.468% | |

**OTHER RATES**

| | | |
|---|---|---|
| UK: 3-mo Interbank | 6⅝% | (6⅝%) |
| UK: 10 yr Gilt | 99⅞ | ([illegible]) |
| France: 10 yr OAT | 125.73 | (125.1) |
| Germany: 10 yr Bund | 103.37 | (102.87) |
| Japan: 10 yr JGB | 104.2413 | (103.831) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent Dated | $24.17 | (24.65) |

**GOLD**

| | | |
|---|---|---|
| **New York: Comex** | | |
| Feb | $369.7 | (370.8) |
| **London:** | | |
| close | $368.8 | (369.65) |

**DOLLAR**

| | | |
|---|---|---|
| **New York: lunchtime** | | |
| £ | 1.6477 | |
| DM | 1.5563 | |
| FFr | 5.254 | |
| SFr | 1.3255 | |
| Y | 113.25 | |
| **London:** | | |
| £ | 1.6474 | (1.6417) |
| DM | 1.5565 | (1.5404) |
| FFr | 5.258 | (5.1979) |
| SFr | 1.3281 | (1.3062) |
| Y | 113.32 | (112.71) |
| Tokyo close: Y 113.15 | | |

**STERLING**

| | | |
|---|---|---|
| DM | 2.5644 | (2.5288) |

Albania Lek 275, Austria Sch37, Bahrain Din1.500, Belgium BFr75, Cyprus C£1.20, Czech Rp Kc70, Denmark DKr20, Egypt E£5.00, Estonia EK 28, Finland FMk15.00, France FFr12.00, Germany DM4.00, Gibraltar £1.25, Greece Dr400, Hong Kong HK$20, Hungary Ft270, Iceland IKr280, India Rs75, [illegible] Qatar QR12.00, S.Arabia SR13, Singapore S$4.30, Slovak Rp Sk75, S.Africa R12.00, Spain Pta250, Sweden SKr20, Switz SFr3.70, Syria S£80.00, Tunisia Din2.000, Turkey [illegible], UAE Dh13.00



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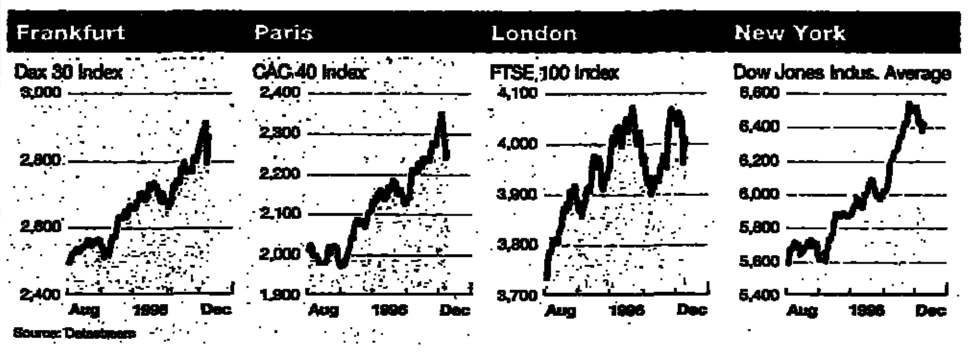
# World markets rebound from Greenspan scare




By Philip Coggan, Markets Editor

World financial markets bounced back yesterday after sharp falls on Friday as investors took a more sanguine view of comments by Mr Alan Greenspan, chairman of the US Federal Reserve.

Mr Greenspan had on Thursday spoken of "irrational exuberance" in financial markets, leading traders and investors to fear that the Fed might raise rates to reduce the euphoria. At one point on Friday, the US's Dow Jones Industrial Average shed 145 points, while in London the FTSE 100 Index was off 168.5 points.

But over the weekend, the markets seem to have reconsidered Mr Greenspan's comments. Mr Joe Rooney, global strategist at Lehman Brothers in London, said the Fed chairman was posing "rhetorical questions" about what might happen if the bull market continued, rather than saying that assets were overvalued.

After a meeting yesterday of central bankers from the Group of Ten leading industrialised countries, Mr Hans Tietmeyer, Bundesbank president, said: "We feel to some extent there was an over-reaction to a question and the markets seem to be stable again."


Continued on Page 16
Markets, Page 38


French and German leaders urge European Union to spearhead fight against terrorism

# Chirac and Kohl fail to make progress on Emu

In harmony: Jacques Chirac (left) and Helmut Kohl greet crowds in Nuremberg yesterday Reuter

By Peter Norman and David Buchan in Nuremberg

President Jacques Chirac of France and Chancellor Helmut Kohl of Germany yesterday called for the European Union to put the fight against organised crime, drug trafficking and terrorism at the centre of its activities.

But they failed at a summit meeting to make substantial progress in resolving their differences over the implementation of European monetary union.

Officials reported some progress, but said there were continuing disagreements over the so-called stability pact intended to ensure that the future European economic and monetary union is not undermined by the financial profligacy of member states.

Germany has demanded automatic penalties for countries with excessive budget deficits while France wants political involvement in the imposition of penalties.


Accord on funds for spy satellite ........Page 2


On a similarly contentious issue, President Chirac underlined France's demand for a political force to offset the power of the planned European central bank once Emu was established. "There must be a political counterpart for the ECB," he said, adding that finding a solution "should not pose too much of a problem".

The two leaders expressed confidence that this week's EU summit in Dublin on Friday and Saturday would give a "decisive impulse" for the successful conclusion of the intergovernmental conference to update the Maastricht treaty in Amsterdam next June.

In a letter to the Irish presidency, they mapped out as new goals a gradual harmonisation of member states' laws against organised crime, a simplification of judicial procedures and more majority voting in areas where member states will retain responsibility for law and order.

By making law and order a matter for European integration, Germany and France are likely to provoke suspicion among Eurosceptical members of the EU, such as Britain, and could trigger concerns among regional authorities responsible for policing, such as the German federal states.

Mr Kohl was adamant that the EU should play a big part in internal security, hitherto the preserve of national and regional authorities. "I believe that in a few years' time the fight against the mafia and


Continued on Page 16


# Santa Fe in $2.3bn merger with Homestake

## US gold mining group turns down rival bid from Newmont

By Kenneth Gooding in London

Santa Fe Pacific Gold of the US, which last Thursday received an unsolicited $2bn bid from rival Newmont Mining, yesterday revealed it had agreed a friendly merger with Homestake Mining.

Homestake, the oldest gold mining group in the US, is offering terms that value Santa Fe at about $2.3bn. The enlarged Homestake would leapfrog Newmont to become the second–largest gold producer in North America behind Canada's Barrick Gold.

Santa Fe said its board, advised by SBC Warburg, had decided unanimously two weeks ago that the Homestake link was the best option.

"We have no intention of allowing [Newmont's] last–minute spoiler tactic to interrupt a well-conceived and carefully planned combination which will create value for both companies' shareholders," said Mr Pat James, chairman of Santa Fe.

Newmont said it was reviewing the Homestake proposals. "Wall Street is telling us that the fit is better and synergies greater with our company. But we are not prepared yet to talk about our next move," an official said.

Mr Jack Thompson, president of Homestake, said the merger would put the new Homestake into the top tier of North American gold producers. Rivals such as Barrick Gold and Placer Dome have market values equivalent to $270 to $300 an ounce of gold reserves while Homestake and Santa Fe trade at $105 to $110 an ounce, he pointed out.

The merger would solve Homestake's near-term growth problems by boosting output from a pro forma 2.7m ounces this year to 3.2m in 1998.

But the proposals received a cool reception from many analysts.

"These are two companies with similar troubled profiles – they have significant current production but are light on development projects," said Mr John Bridges at Flemings Global Mining Group. "Santa Fe shareholders may be getting a second–rate deal. But I hope Newmont does not raise its bid."

The possibility that Newmont might bid again caused its shares to slip yesterday. If either Santa Fe or Homestake pull out of the agreed merger a break-up fee of $65m would be paid, adding about 50 cents a share to the cost for Newmont.

Homestake, which is advised by Dillon Read, said its offer was worth $17.42 a share, about $2 more than the Newmont all-share bid and 47 per cent above the $11 at which Santa Fe traded before the Newmont offer. Santa Fe shares rose by $1½ to $16¾ yesterday after the merger announcement.

Homestake and Santa Fe expect to save $30m a year by combining operations and closing Santa Fe's Albuquerque headquarters.


Lex, Page 16
Commodities, Page 28


# Japanese brokers link up to cope with deregulation

By William Dawkins in Tokyo

Two medium-sized Japanese stockbrokers are to join forces to face the increased competition expected after government plans for a "big bang" financial deregulation.

The merger of Tokyo-based Maruko Securities and Osaka-based Daika Securities is the first since last month's announcement by Mr Ryutaro Hashimoto, the prime minister, of plans to deregulate stockbroking commissions and allow banks and securities companies to compete in each other's markets by 2001.

The two, both unlisted, are among 285 so-called second-tier brokers that rank well behind the big four brokerage firms, Nomura, Daiwa, Nikko and Yamaichi. Their numbers are widely expected to be reduced by a wave of mergers, acquisitions and possible collapses in anticipation of the financial reforms.

Alliances have already begun as small brokers seek to reduce costs in response to a long-term decline in equity market turnover, which has fallen nearly 70 per cent during the past eight years. Last year saw the merger between two small brokers, Maruman and Tokai Securities.

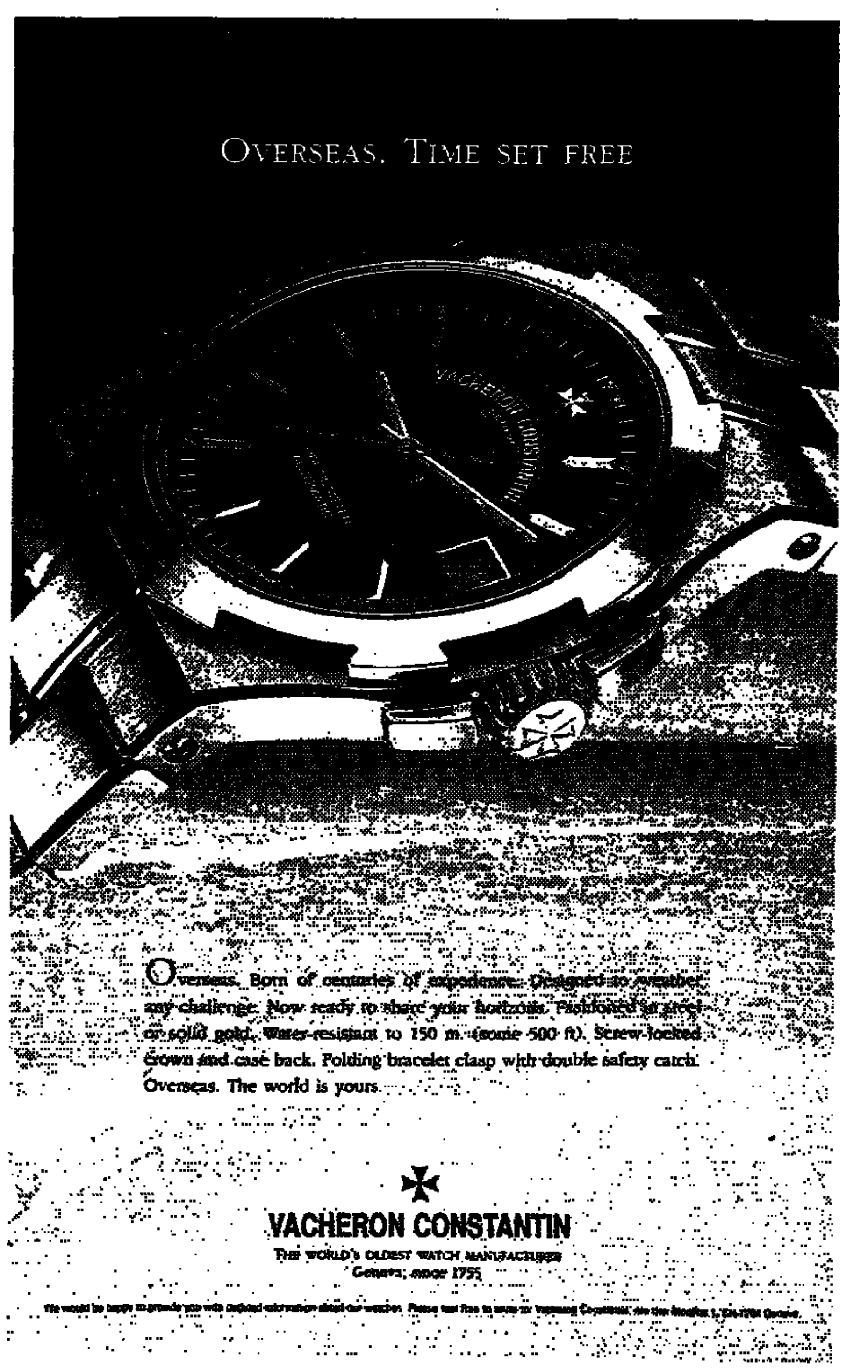
Mr Paul Heaton, senior analyst at Deutsche Morgan Grenfell in Tokyo, estimates that at least half the second-tier brokers could disappear in the next few years, citing the shake-out among smaller UK brokers after London's big bang 10 years ago.

Maruko, 31.4 per cent-owned by Nippon Steel, and Daika, 10 per cent-owned by Nippon Life, started talking to each other in September last year and expect to finalise their merger by next October. The new broker is to be named Maruko-Daika and its chairman will be Mr Yasumichi Nagano, president of Maruko.

Maruko has capital of Y3bn ($26.6m) and Daika is capitalised at just over Y1bn. That means that the merged company would still be too small to operate as a full-service broker under government plans to increase the minimum capital requirement for that status from Y3bn to Y10bn.

Company officials said they planned to raise their combined equity capital to Y10bn by March 1998. Analysts said other second-tier brokers were also preparing to raise equity.


Big bang, small noise, Page 15


CONTENTS

## Farmers to bear brunt in Commission plan to charge users full 'economic cost'

# EU in drive to curb water pollution

**By Leyla Boulton, Environment Correspondent**

The European Commission is expected to act early next year to make all water users pay the full "economic cost" of water in a drive to eliminate serious water pollution and end wastage.

EU environmental officials have completed a framework directive which could particularly hit farmers, who pay very little for their water in most EU states. Pollution from sewage and industry is already largely covered by existing EU directives, but agriculture remains a big source of groundwater pollution.

Commission officials believe the framework directive can only be fully implemented together with reform of the Common Agricultural Policy, which encourages over-production.

One way of doing this involves charging farmers for the cost of water pollution through the use of pesticides and fertilisers.

The draft directive defines the full economic cost of water as including a charge for environmental costs as well as operational and management costs, capital costs, and reserves for future investments.

The draft aims to achieve a "good ecological status" for all water in the European Union by 2010, with a few exceptions including irrevocably polluted harbours such as Rotterdam. It argues that water pollution needs to be tackled in a "holistic" fashion because it crosses national boundaries, and because different kinds of environmental problems are closely related.

"If you pour fertiliser into the Thames, the Seine, or the Rhine, you are likely to affect fisheries in the North Sea," explains one official.

The Commission's environment directorate is sending the plan to EU governments for comment at the same time as other Commission departments.

The Commission is expected to submit a final proposal for adoption by EU environment ministers early next year.

The draft framework directive carries no price tag, but one senior Commission official says it is unlikely to cost nearly as much as earlier expensive directives to clean up drinking water and improve sewerage systems. "The worst is over," said the official.

However, the proposal is certain to spark fierce debate in other respects, particularly in its proposal that member states phase out subsidies for water use and charge the full economic cost.

Determining environmental costs remains fraught with difficulty because few member states have done it.

The second leap of imagination the Commission will ask member states to make is not to expect Brussels to set specific targets for abating water pollution.

Instead it would let individual EU governments decide what constitutes good ecological quality and then implement it, bearing in mind standards should be set according to the use for which the water is intended.

# Counting cost of paying in euros

## Consumer companies may need deep pockets to accommodate the single currency, writes Peter Norman

**Preparing for Emu**

The closer a business is to the consumer, the more problems it faces adapting to the euro. This became clear at a recent seminar organised by the German chambers of industry and commerce (DIHT) in Bonn from the experiences of three large companies which are preparing for the single European currency.

The retail trade, in particular, faces huge extra costs if, as consumer groups want, goods have to be priced in both euros and national currencies for a full six months from January 1, 2002 while euro notes and coins are introduced.

Mr Hartmut Krämer, an executive with the clothing retailer Peek & Cloppenburg, warned of "immense problems" if European leaders did not introduce the euro overnight in a "big bang". Double pricing would cost his company about DM25m ($16m). Cash registers would have to be adapted to produce two receipts. Paying for goods would be slower and require more staff. Bar code labels would have to be replaced by bigger ones with room for information in two prices, at a cost of DM10m.

Given the tough competitive conditions in the retail trade, companies would be under pressure to round down prices of goods when converted into euros, reducing turnover and narrowing profit margins.

Mr Krämer cited Peek & Cloppenburg's cheapest men's shirt, which retails in Germany at DM39. At a conversion rate of DM2.15, this would cost E18.13. The retailer would be more likely to charge E17.90 or E18. "Good for the consumer but bad for the retail trade," he said.

As a company with outlets in Belgium and the Netherlands as well as Germany, Peek & Cloppenburg had to cope with the impact of differing value added tax rates in its pricing policy. The consumer, Mr Krämer said, would expect the same euro prices in the three countries. Because of competitive pressures, transnational retailers would find it hard to round up prices.

Gerling-Konzern, a large insurance company, has also come up against practical problems associated with the euro introduction. Mr Dieter Weber, of the group's information management unit, said substituting the euro for the D-Mark would mean changes to its entire range of insurance products. For example, at DM2.15 per euro, the standard DM300 excess German customers paid in the event of a car insurance claim translated into E139.53.

If double pricing were agreed for an interim period after 2002, the company would have to replace its application forms to accommodate the information, Mr Weber said. He hoped the abbreviation chosen for the euro would be no more than two letters. Replacing "DM" by "EU" would be relatively simple, but "EUR" would cause problems in the group's computer system.

Gerling's costs would depend on whether the group decided to switch to the euro with a "big bang" or in stages. The former would be cheaper at about DM30m but technically risky, Mr Weber said. A step-by-step procedure could cost DM75m, with software changes costing around DM36m. In return, Gerling expected gains of just DM4m-DM7m from the single currency.

By contrast, the euro appeared to pose few problems for Mr Günter Erhardt, an executive with the large chemical company BASF, and a member of the euro working group set up by the German chemical industry association. He believed the euro would bring big opportunities.

The industry association had produced a checklist to help members cope with transitional issues affecting purchasing, logistics, sales, balance sheets, taxation, data processing, personnel and contracts.

Mr Erhardt said there was no single blueprint for a company to tackle the switch from D-Mark to euro and many companies would use the occasion to make other changes.

The three companies began intensive preparations between the middle and end of last year. The executives complained that public authorities, such as tax offices, were failing to match the progress of private businesses and were showing far less enthusiasm for the project than Europe's politicians.

Mr Erhardt also said there was often a lack of reliable information. Mr Jacques Lafitte, an aide of Mr Yves-Thibault de Silguy, monetary affairs commissioner, said the European Commission favoured a shorter transition period than six months. He suggested a hearing with consumer and business organisations in May to discuss contentious issues such as double pricing.

# N Americans begin to believe the bird will fly

## Laurie Morse reports on transatlantic adjustment to the prospect of Emu

The prospect of Europe adopting a common currency is just beginning to sink into the North American psyche.

The plans for the D-Mark, the French franc and other currencies to convert to the euro in January 1999 have obvious implications for the foreign exchange dealings of US-based companies trading in Europe.

The strategic aspects of trading with, or manufacturing in, a unified European bloc will also be important for US corporations. Ms Ellen Schubert, head of North American foreign exchange sales for SBC Warburg in New York, believes the strategic issues "are far more important than the foreign exchange issues for US companies. Unfortunately, we haven't seen corporate management dealing with these issues yet, in part because many don't believe [Emu] will happen."

To this extent, corporate managers are far behind the trading community, especially hedge fund managers, who pilot the movement of cash from one global market to another.

One of the most popular, and successful, strategies in government debt markets this year has been to buy bonds of European governments, particularly Spain and Italy, on the bet that their yields will converge on those of German Bunds.

Market analysts also point to convergence as a reason for the relatively low volatility in European currency markets this year. "What the markets are telling us is that monetary union will happen," says Mr Galen Burghardt, senior vice-president for Dean Witter Reynolds in Chicago.

The US organisations that will have to deal with Emu first are the futures and options exchanges which trade products which settle in European currencies. A fierce battle is in progress between the main exchanges in Germany, France and Britain for survival after the rationalisation forced on them by monetary union.

US exchanges have become partners to these battles, either directly or indirectly, and are lining up strategies of their own.

The Philadelphia Stock Exchange, an active centre for foreign currency options trading, has produced a white paper proposing to substitute euros for existing national currencies of European countries in all relevant contracts when the currencies converge. The precise timing is for the exchange to determine.

However, the larger Emu issue for the Philadelphia exchange is decline of cross-currency trading that generates much of its business. "We will still have the currencies in Europe that will trade outside the Union," says Mr Joseph Rizzello, its senior vice-president of marketing. Proposed trading links with Hong Kong, and several new domestic projects, would allow the exchange to weather the European changes.

The Chicago Mercantile Exchange is also betting that its busiest currency contracts, D-Mark futures and options, will convert easily into euros. If Britain joins Emu, it will lose its active sterling contracts. However, it retains a broad base of products that will not be affected, including futures on the currencies of Australia, Canada, Brazil, Mexico, Japan and Switzerland.

For the CME and the Chicago Board of Trade, the immediate fallout of monetary union has been the eagerness of its European rivals to devise product partnerships with them. By March, Liffe hopes to have its best bond contracts trading at the CBOT, and its leading Euromark future trading at the CME. France's Matif has also caught the US distribution bug, and has offered its Notional contract on 10-year French government bonds to the CME during US trading hours.

These partnerships are a symptom of competition between exchanges in Europe, which hope US exposure will widen their chances for survival. However, Mr Craig Pirrong, finance professor at the Olin School of Business at Washington University in St. Louis, says: "These co-operative efforts generate a lot of fanfare, but I don't expect them to generate a lot of business."

To the extent that Emu will lead to the restructuring of derivatives exchanges in Europe, Mr Pirrong says, the concern in the US should be how a single "super exchange" in Europe could alter the global strategic playing field. "There are tremendous scale and scope economies that allow the bigger, better diversified exchanges to succeed."

Simply adopting a few European debt and money market futures contracts may not be sufficient for Chicago to maintain its dominance in listed derivatives trading. Already, European competition is forcing Chicago's futures exchange to consider consolidating operations, and is prompting all US exchanges to look for new products and services outside their usual financial market ranges.

**Emu: who's going to make it**

J P Morgan Calculator 9/12/96

| | Yesterday | 1 week ago | 4 weeks ago |
|---|---|---|---|
| Germany | 100% | 100% | 100% |
| France | 100% | 100% | 100% |
| [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| Denmark | [illegible] | [illegible] | [illegible] |
| UK | [illegible] | 41% | [illegible] |

*The Emu calculator provides a weekly snapshot of the probabilities which the financial markets place on selected countries being willing and able to join Germany in forming a single European currency in 1999.*

*Currency strategists at investment bank J P Morgan calculate the probabilities from the interest rate swaps market, in which investors swap floating rate interest payments on an investment for fixed-rate ones.*

*The probability which the markets place on France can be calculated by looking at the current difference between French franc and D-Mark swap rates and comparing it to the difference you would expect to see if Emu were postponed indefinitely.*

# Accord on funds for spy satellite

**By David Buchan in Nuremberg**

France and Germany yesterday reached a compromise on financing their joint military spy satellite programme, designed to give Europe an intelligence capacity independent of the US.

At the Franco-German summit in Nuremberg, it was agreed Bonn will delay, for perhaps a year, payments for the Helios 2 infrared satellite project managed by the French.

But Germany is understood to have indicated its readiness to increase its planned contribution to the subsequent programme to develop the Horus radar satellite, for which German industry will be the prime contractor.

Chancellor Helmut Kohl said he was happy agreement had been found and expressed his "appreciation for France's comprehension" of Germany's defence budgetary difficulties.

At their Baden-Baden summit a year ago, the two leaders signed a letter of intent to develop Helios 2 and Horus together. Since then, Mr Volker Rühe, German defence minister, has been arguing he does not have the resources to fund spy satellites as well as the expensive Eurofighter programme, particularly because the US has offered Bonn a cheaper alternative to Helios and Horus.

The Helios 2 infrared spy satellite is due for launch in 2002, while the target date for the Horus radar satellite – of interest to Germany because of its potential to see through thick cloud prevalent in central Europe – is 2005.

"To stick to the timetable," the two governments said in a statement yesterday, "France is going ahead straight away with the Helios 2 programme, which Germany will join as soon as conditions permit". Mr Kohl indicated German participation, which would require parliamentary approval, might be delayed for a year.

Together with Spain and Italy, France has put an optical spy satellite, Helios 1, into orbit, but has long been looking for German financial as well as industrial participation in subsequent satellites.

The French and German leaders instructed their armaments directors to embark on a rapid study of how to adjust their countries' relative workshares on the satellite projects.

France and Germany also agreed on a "common concept of defence and security", but refused to reveal details until their respective parliaments had been informed.

● Bernard Gray adds: France yesterday agreed to increase the number of Tiger attack helicopters and NH-90 transport helicopters it would buy. France will buy 215 Tigers and 160 NH-90s, while Germany will take 212 Tigers and 243 NH-90s, producing a boost for Eurocopter, the Franco-German joint venture owned by Aérospatiale and Daimler-Benz Aerospace.

The helicopter agreement reverses cuts in the programmes announced by France in its spring defence review. The two countries are also to proceed with funding for a long-range anti-tank missile to arm the Tiger. However, there was no agreement to fund development of the Future Large Aircraft military transporter, or on how to proceed with the "battlefield taxi" due to be developed with Britain.

## Ministers urge quick decision on genetically modified product

# Brussels pressed for maize ruling

**By Caroline Southey in Brussels**

EU environment ministers yesterday urged the European Commission to decide quickly whether to approve genetically modified maize amid growing frustration over continued delays in authorising the grain.

Environment ministers urged Mrs Ritt Bjerregaard, European commissioner for the environment, to act quickly. "They are getting fed up," an EU official said. "Any decision is better than no decision."

Mrs Bjerregaard told ministers she would not be rushed into a decision. "The choice is between being speedy or scientific. We are choosing science," a Commission official said. Her cautious stance was backed by several countries, including the UK and Austria.

Mrs Bjerregaard said the Commission was likely to make a decision next Wednesday after it had received advice from three EU scientific committees on the safety of the product.

The Commission has deferred a decision on the maize because of heightened concerns in the EU about food safety, particularly in the wake of the BSE crisis.

The maize was developed by Ciba Geigy, the Swiss chemicals company, and is resistant to European corn-borer pest. Environmental groups argue that the "marker gene" in the maize could undermine the efficacy of antibiotics used on animals and humans.

Controversy over the maize has escalated following a Commission suggestion recently that modified maize could be entering the EU in breach of Union rules. Mrs Bjerregaard confirmed that she had warned member states that it was their responsibility to ensure the maize was not put on to the EU market, but denied that she had any evidence that modified maize had already entered the EU illegally.

There has also been growing concern about the EU's stance towards genetically modified products in general. Environmentalists are critical of a recent deal between the European parliament and council of ministers on labelling modified products because there are too many loopholes in the proposed regime.

Protests have also continued against genetically modified soyabeans which were given the EU stamp of approval earlier this year.

Mrs Bjerregaard said the Commission would consider changes to procedures, agreed in 1990, for approving the sale of modified foods in the EU. She said reforms should focus on strengthening administrative procedures, improving the way scientific evaluations were made and introducing an effective labelling regime.

Mrs Bjerregaard said the Commission had no evidence that modified maize had been imported into the EU.

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## EUROPEAN NEWS DIGEST

# Di Rupo wins part clearance

Belgium's deputy prime minister, Mr Elio Di Rupo, was yesterday partially cleared of paedophile allegations, but must wait for the supreme court to investigate new evidence against him.

A report from the court to the Belgian parliament said the original dossier against Mr Di Rupo alleging a homosexual relationship with a minor, had insufficient substance to be worth pursuing. But it added that the correct legal procedures had not been followed when a second dossier had been presented last week, and it had been unable to examine the new evidence.

When the court has examined this further evidence it will make another recommendation on whether parliament should lift the minister's constitutional immunity from prosecution and indict him, or to drop the case completely. Mr Di Rupo has consistently protested his innocence.

The supreme court will today deliver a report on similar allegations against a regional minister, Mr Jean-Pierre Grafé, to the parliament of Wallonia, Belgium's French-speaking southern region. Mr Grafé has also denied the charges. *Neil Buckley, Brussels*

## Spain to keep subsidising coal

Spain's government will continue to subsidise the loss-making domestic coal industry over the next 10 years under the terms of a framework for the electricity sector to be signed with national generators this week. The framework, which introduces a timetable for deregulating the sector and aims to lower electricity costs by 8 per cent over the next three years, will nevertheless reduce the guaranteed share of domestic coal used in power generation to 15 per cent from as much as 40 per cent at present.

The liberalisation calendar, which will be implemented in 1998, establishes norms for a phased separation between electricity generators and suppliers and guarantees third party access to transmission and distribution grids operated by existing generators. Electricity tariff reductions will start next year.

Militant miners last month forced the government to rethink closing state-owned pits. Total subsidies to the domestic coal industry are estimated to be more than Pta200bn ($1.5bn) a year. *Tom Burns, Madrid*

## Italy launches tobacco probe

Italy's anti-trust authority is probing distribution contracts between the state tobacco monopoly and the US multinational Philip Morris to determine if they contravene laws on abuse of dominant positions. The inquiry follows a complaint by an Italian company, ITA, which is seeking to market cigarettes under the Trussardi brand made by Austria Tabakwerke of Munich.

Cigarettes can only be imported into Italy if formal approval is granted by AAMS, the monopoly. This has not been provided, despite repeated requests, apparently on the grounds that use of the Trussardi fashion name might conflict with regulations on tobacco advertising.

An investigation into possible abuses of dominant position by AAMS and Philip Morris was also launched by the European Commission earlier this year. Together, they control about 90 per cent of the Italian market. Forty per cent of cigarettes smoked in Italy are imported: Philip Morris accounts for 34.5 per cent. *John Simkins, Milan*

## Slovenian poll inconclusive

Slovenian voters failed to give any of the proposed electoral models in a referendum on Sunday the necessary 50 per cent support to be adopted. Little more than a third of the 1.5m electorate bothered to take part in the referendum which is expected to cost T400m ($3m).

The state statistical office said unofficial results showed most support at 44.4 per cent for a two-round majority system proposed by the centre-right Social Democrats. Such a system would probably have produced a clearer outcome than in the November 10 general election, when a rightwing alliance failed to win an absolute parliamentary majority by one seat. Mr Janez Drnovsek's centre-left Liberal Democrats remained the biggest party, but are struggling to find enough support to form a new coalition government. *Reuter, Ljubljana*

## Brussels reunites Berlin

West and east Berlin are to be reunited in the eyes of the European Union which from 1997 onwards will treat both halves of the once divided city equally when assessing eligibility for subsidies, Mr Karel Van Miert, competition commissioner said yesterday.

The decision will benefit west Berlin which at present is treated differently from the eastern half of the city and the surrounding region of Brandenburg. East Berlin currently receives DM237m ($152m) from the EU's structural fund. West Berlin receives DM100m.

Mr Van Miert also said he would recommend that the Commission grant further subsidies to two east German shipyards – the MTW yard in Wismar and the Volkswerft in Stralsund – which had been part of the Bremer Vulkan shipbuilding group which collapsed earlier this year. Subsequent investigations found subsidies intended for the yards had been deployed elsewhere within the Bremer Vulkan group. *Frederick Stüdemann, Berlin*

## Swiss GDP figures leaked


The Swiss government has decided to stop issuing its quarterly economic growth figures to banks before publication after the third quarter figures were leaked to the media. The Swiss Federal Office for Economic Policy, which officially publishes its third quarter figures for gross domestic product this morning, has traditionally released the statistics up to ten days in advance to various Swiss banks on condition that they observe the embargo. This was supposed to ensure banks' statistical publications were as up-to-date as possible. However, news that gross domestic product had fallen by 0.7 per cent in the third quarter ran on the Reuters news wire last Friday. Although the breaking of the embargo has had no impact on Swiss financial markets, it is potentially embarrassing since it highlights once again the cosy relationship between the government and the country's big banks. *William Hall, Zurich*

## Brussels rejects steel aid

A European Commission official said yesterday that a draft decision concluded "unequivocally" that a BFr1.5bn ($47m) capital injection for Belgian steelmaker Forges de Clabecq amounts to an inadmissible public subsidy. A definitive ruling is due in principle on December 18.

The European Coal and Steel Community, one of the European Union's founding bodies, bans subsidies to the steel industry in general. Restructuring and other forms of aid can still be allowed by EU industry ministers acting unanimously. Belgium has always contested that the Clabecq plan involved subsidies, arguing that the region of Wallonia was acting within its right as the main shareholder of Clabecq. *Reuter, Brussels*

# Swedes probe currency trader

By Clay Harris in London and Davrell Roberts Tien in Stockholm

A Swedish prosecutor yesterday opened an official investigation into Fairbank, the currency trading company which has targeted ethnic Chinese private investors in that country.

The decision by Ms Anna Lena Dahlqvist, a prosecutor attached to the Serious Economic Crimes Squad, followed a meeting with Mr Bernt Magnusson, head of the securities department at Finansinspektion, Sweden's financial supervisory authority. Police in Sweden first had their attention drawn to Fairbank's activities in February.

Fairbank, which operates openly in Stockholm, Gothenburg and Malmö, does not have permission from the Riksbank, Sweden's central bank, to provide currency trading services. Its customers, conservatively estimated to number more than 300, are believed to have lost millions of kronor.

Fairbank is operated by Mr Dannis Cheung, a UK citizen who ran Pagoda, a similar currency trading scheme which is being investigated by Britain's Serious Fraud Office over the alleged misuse of $7.5m of investors' money.

Mr Kenneth Yeung, director of Currency Exchange Services, which supplies foreign exchange prices to Fairbank from an office in Soho and keeps its records, yesterday refused to comment when asked whether his company had withdrawn an application for authorisation by the UK's Securities and Futures Authority.

Currency Exchange Services has been allowed to arrange "rolling spot" foreign exchange trades – rolled-over forward contracts of seven days or less – while the SFA processed its application. Withdrawal would be another blow to Fairbank.

On Friday, after articles about Fairbank were published in the Financial Times and Dagens Nyheter, the Swedish newspaper, more than 25 investors confronted Mr Cheung in his Stockholm office, while 70 to 80 others sent faxes to the company, all demanding to close their accounts.

Mr Cheung also met between 20 and 30 of Fairbank's traders in an attempt to assure them of the company's legality. Fairbank had begun to expand its business outside the Chinese community by recruiting ethnic Swedish employees.

## Vote today on programme of welfare improvements and tough reforms

# Romanian parties agree cabinet

By Virginia Marsh

After protracted negotiations, the victors in last month's Romanian general elections yesterday announced the formation of the country's first centre-right government since the second world war.

Mr Victor Ciorbea, the 42-year-old prime minister elect, is due to put the team – drawn mainly from his Democratic Convention – as well as a governing programme that emphasises welfare improvements and tough reform to a parliamentary vote today.

The coalition, which also includes the Social Democratic Union (USD), a centrist group, and the ethnic Hungarians' party, has 59 per cent of the seats after defeating the former communists for the first time in the November 3 elections.

Mr Ciorbea, a lawyer and former trade union leader who as mayor of Bucharest won a reputation as a competent and honest administrator, said his cabinet would "execute a programme that is as ambitious as it is difficult".

Mr Mircea Ciumara, a 53-year-old economist and leading member of the Peasants' party, the mainstay of the Convention, is to be finance minister in the 24-member cabinet. The merged industry and trade ministry – one of six portfolios given to the Liberals – will be led by Mr Calin Popescu-Tariceanu, a well-known businessmen who heads a popular private radio station.

The USD's Mr Adrian Severin, the new foreign minister, is one of several technocrats from Romania's first post-communist government to be brought back into the cabinet. The ethnic Hungarians are to have two ministerial posts.

The new government, which has already begun talks with the International Monetary Fund, said plugging the widening budget deficit, reducing inter-company debt which had risen to 17 per cent of gross domestic product, and encouraging foreign strategic and portfolio investment would be among the priorities for the first six months.

The short-term programme also pledges to cut inflation while bringing in a minimum pension, indexing pensions to price rises, assuring credits for agriculture and for homes for young people, and gradually liberalising energy and agriculture prices.

It promises to ensure transparent government and reliable economic information.

However, Mr Ciorbea made clear welfare would be selective and that sacrifices would be needed.

While the programme is considered optimistic, analysts said the new government appeared committed to tackling reform, fighting pervasive corruption and improving relations with investors and the west.

"The political will is clear and, while it has several experienced members, the government has already indicated its openness to co-operate with the outside world, business and society in areas where it is short on know-how," a western diplomat said.

# Serb protests fail to draw workers

By Laura Silber in Belgrade

Tens of thousands of Serbian demonstrators showed no sign of abandoning their protest against the annulment of opposition victories, but independent trade unions yesterday failed to rally factory workers to their cause.

Workers at Industrija Motora i Traktora (IMT), a tractor factory on the outskirts of Belgrade, voted down a union proposal to march to the city centre and join three weeks of protests against President Slobodan Milosevic of Serbia, who cancelled opposition wins in local elections last month.

Yesterday's vote in the factory courtyard underscores the difficulties opposition leaders face in winning workers' support to widen their protest.

Fearing retaliation, workers said they joined the opposition protests in their own time, but were more concerned with eking out an existence on their sporadic wage than with joining the political protests.

"It's cold, why should we walk all the way to Belgrade," said Mr Skender Secerovic, a 40-year-old IMT worker. Like his fellow-workers, he could not make ends meet on his monthly wage, the equivalent of DM100 ($64).

In an attempt to undermine the planned strike, IMT workers, who are owed five months' back wages, received 70 per cent of their October salary on Friday.

IMT reflects the grim picture of Serbia's economy, hit by the collapse of the economy of former Yugoslavia, footing the bill for the wars in Croatia and Bosnia, and under 42 months of UN sanctions. "I've worked here for 20 years. I have nothing to show for it, no money, no flat, nothing," said Mr Zdravko Jamburcic, who works in quality control.

His hands calloused from building walls and digging ditches, he said: "I am forced to do odd jobs and sell smuggled goods at a flea market to survive."

A Belgrade woman hands flowers to opposition leaders Vuk Draskovic (left), Vesna Pesic (centre), and Zoran Djindjic during protests yesterday *Reuter*

More than half of Serbia's factories have closed, and only a handful operate at full capacity. Fifty per cent of the workforce is unemployed. More than two-thirds of IMT's 4,500-labour force has been sent on "forced holidays".

Hopes have faded the factory would return to its full production of 42,000 tractors a year once sanctions were lifted.

While trade unions tried to drum up support, up to 40,000 students yesterday protested against the arrest and beating of a young worker riding a jeep with a dummy of Mr Milosevic. "Must we bow our heads and take all of this?" said a student statement.

"Tomorrow it could be one of us. Let's rebel against their brutality."

Tens of thousands of opposition supporters last night renewed their protest the day after Serbia's Supreme Court ruled against an appeal to restore their victories. They have appealed to a federal court of Serb-led Yugoslavia.

# Greek proves hurdle for top telecoms job

By Kerin Hope in Athens

Greece's first attempt to choose a chief executive for a public sector company by normal international management methods has run into an impasse because of the lack of top candidates who can speak Greek.

Today the board of OTE, Greece's partially privatised telecoms company, will decide whether to appoint Mr George Tzaneteas, who works for Northern Telecom of Canada, as its new chief executive despite his less than fluent Greek.

The decision will be a test of the board's commitment to modernising the lumbering state telecoms monopoly, which floated 8 per cent of its equity on the Athens stock exchange last March and plans to place another 17 per cent with international institutions during 1997.

The choice comes at a crucial moment for OTE as it prepares to launch Greece's third mobile telephone network to compete with two private consortiums led by Stet of Italy and the UK's Vodafone.

The company is due to select an international partner for the $250m project next month.

The Socialist government declared in March that the new chief executive, who will take over on January 1 on a five-year contract, will for once not be a political appointee chosen by the prime minister.

OTE appointed Kantor, the Greek affiliate of Arthur D. Little, the international management consultants, to handle the search for a new chief executive and produce a shortlist of four candidates to be interviewed by the board.

To avoid political recriminations, the Socialists passed legislation specifying that OTE could appoint an international manager provided he had telecoms experience and could speak Greek.

However, OTE's board has faced a dilemma because none of the 56 candidates who applied for the job could satisfy both requirements.

Of the four finalists, two have a strong track record in telecoms but would be unable to hold meetings with senior executives or negotiate with OTE's unions in Greek, while the other two candidates are Greek speakers but work in unrelated fields.

To make matters worse, the government has already rejected the board's first choice, Mr Stergios Nezis, a chemical engineer who has turned around struggling Greek companies in the public and private sector but who has never worked in the telecoms sector.

He currently runs the Greek subsidiary of Mölnlycke, the Swedish manufacturer of hygienic paper products.

The second choice, Mr Tzaneteas, who heads Northern Telecom's cellular telephone operations in Latin America, is a Greek-Canadian but like many expatriate Greeks has only a rudimentary command of the language.

If his candidacy is rejected, the chances are that the current general manager, Mr Petros Lambrou, will remain in place.

Mr Lambrou, a former Socialist party treasurer, supervised OTE's successful flotation and is on good terms with the company's 15 unions, which still exert a strong influence on decision-making.

However, Mr Lambrou is also a powerful symbol of the old order in public sector management which the government says it is determined to change.

# Brussels points way to single market in auditing

By Jim Kelly, Accountancy Correspondent

The European Commission yesterday set out plans for achieving its long-term goal of a single market in statutory auditing by a process of close co-operation with the accountancy profession rather than through EU legislation.

In return, the profession is expected to develop a code to guarantee the independence and integrity of auditors, and to help break down barriers which prevent auditors and audit firms practising freely across borders.

"If we want to develop a strong single market we must ensure that good accounting and auditing practices are applied," Mr Mario Monti, the single market commissioner, told a conference on the role of the auditor.

Mr Anthony Carey, head of international accounting at the UK's powerful Institute of Chartered Accountants, said: "We are pleased that a decision has been taken not to seek legislative solutions to the development of auditing in the EU." Mr John Hegarty, secretary-general of the Fédération des Experts Comptables Européen (FEE), the profession's leading EU body, also welcomed the statement, saying the plan amounted to "regulatory contracting-out".

Yesterday's Commission statement is broadly in line with its green paper published earlier this year and with reports produced by the profession and the Big Eight accountancy firms.

Brussels is intending to prepare plans to harmonise auditing standards in the EU along the lines already established with the profession for harmonisation of accounting standards.

A new subcommittee of member state representatives, and others, will monitor audit standards produced by the New York-based International Federation of Accountants. The EU will seek to play an active role in its work to make sure it does not have *carte blanche* to set Europe's audit framework.

The Commission believes current rules governing the independence of auditors are inadequate and has asked the profession, in the shape of the FEE, to take a central role in producing a "clear programme of action".

It also wants progress on bringing down national barriers to auditing. "If we really want the establishment of a single market in auditing services, auditors – both individuals and firms – should be able to move and practise freely in each of the member states," said Mr Monti.

Again the Commission is looking for the profession to co-operate in these reforms and wants the FEE to make proposals on issues such as lowering barriers for "migrant professionals" in the audit market.

The Commission's green paper disappointed the profession by distancing itself from any move to bring about a single regime for auditor liability in the EU.

Yesterday its statement did contain an admission that the issue "warrants further examination", and a study will be launched next year, although it is understood this will be subject to funds being available.

## INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

**■ UNITED STATES**

| | Exports | Visible trade balance | Current account balance | Ecu exch. rate | Effective exch. rate |
|---|---|---|---|---|---|
| 1985 | 279.8 | -174.2 | -163.0 | 0.7623 | 100.0 |
| 1986 | 231.0 | -140.5 | -133.4 | 0.9836 | 81.4 |
| 1987 | 220.2 | -131.8 | -144.1 | 1.1541 | 71.9 |
| 1988 | 272.5 | -100.2 | -107.4 | 1.1833 | 67.0 |
| 1989 | 330.2 | -99.3 | -94.3 | 1.1017 | 70.0 |
| 1990 | 309.0 | -79.3 | -72.7 | 1.2745 | 68.7 |
| 1991 | 340.5 | -53.5 | -6.0 | 1.2391 | 68.7 |
| 1992 | 345.9 | -65.2 | -47.5 | 1.2957 | 64.4 |
| 1993 | 397.3 | -98.7 | -85.4 | 1.1705 | 68.3 |
| 1994 | 432.3 | -127.0 | -125.2 | 1.1897 | 68.1 |
| 1995 | 452.3 | -122.9 | -114.6 | 1.2938 | 61.2 |
| 4th qtr.1995 | 117.7 | -26.9 | -23.6 | 1.2897 | 62.3 |
| 1st qtr.1996 | 121.2 | -30.8 | -27.7 | 1.2570 | 63.7 |
| 2nd qtr.1996 | 128.2 | -32.7 | -31.4 | 1.2362 | 64.6 |
| 3rd qtr.1996 | 122.1 | -36.4 | | 1.2613 | 64.4 |
| November 1995 | 39.0 | -8.7 | n.a. | 1.2954 | 62.2 |
| December | 39.9 | -9.1 | n.a. | 1.2758 | 62.7 |
| January 1996 | 39.1 | -11.5 | n.a. | 1.2665 | 63.5 |
| February | 41.2 | -9.3 | n.a. | 1.2538 | 63.8 |
| March | 41.0 | -9.8 | n.a. | 1.2541 | 63.8 |
| April | 41.6 | -10.5 | n.a. | 1.2421 | 64.3 |
| May | 42.8 | -11.7 | n.a. | 1.2262 | 64.6 |
| June | 41.9 | -10.4 | n.a. | 1.2383 | 64.8 |
| July | 40.0 | -12.4 | n.a. | 1.2405 | 64.8 |
| August | 41.3 | -11.3 | n.a. | 1.2668 | 64.1 |
| September | 40.6 | -12.8 | n.a. | 1.2597 | 64.7 |
| October | | | n.a. | 1.2538 | 65.0 |

**■ JAPAN**

| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
|---|---|---|---|---|---|
| 1985 | 228.2 | 73.5 | 64.5 | 180.50 | 100.0 |
| 1986 | 209.8 | 94.2 | 87.2 | 165.11 | 127.7 |
| 1987 | 194.7 | 83.7 | 75.5 | 166.58 | 138.8 |
| 1988 | 218.7 | 79.8 | 67.0 | 151.51 | 153.7 |
| 1989 | 245.5 | 70.6 | 52.4 | 151.57 | 147.0 |
| 1990 | 220.0 | 50.0 | 28.5 | 183.94 | 132.5 |
| 1991 | 249.4 | 77.7 | 57.4 | 166.44 | 143.7 |
| 1992 | 258.6 | 96.2 | 86.7 | 164.05 | 150.7 |
| 1993 | 300.4 | 118.6 | 112.5 | 130.31 | 181.0 |
| 1994 | 335.1 | 121.9 | 110.6 | 120.89 | 194.9 |
| 1995 | 331.3 | 101.4 | 85.5 | 121.43 | 204.8 |
| 4th qtr.1995 | 80.3 | 22.0 | 17.8 | 130.87 | 187.8 |
| 1st qtr.1996 | 78.6 | 16.9 | 12.2 | 132.92 | 182.0 |
| 2nd qtr.1996 | 81.7 | 16.1 | 12.2 | 132.90 | 180.8 |
| 3rd qtr.1996 | 78.6 | 18.3 | 15.0 | 137.43 | 176.9 |
| November 1995 | 27.1 | 8.3 | 7.0 | 131.98 | 186.8 |
| December | 27.2 | 7.5 | 6.0 | 129.85 | 187.9 |
| January 1996 | 25.5 | 5.6 | 4.3 | 133.43 | 182.1 |
| February | 27.1 | 4.3 | 3.4 | 132.49 | 182.1 |
| March | 26.1 | 7.0 | 4.5 | 132.84 | 181.9 |
| April | 26.5 | 3.7 | 2.8 | 133.12 | 180.7 |
| May | 26.7 | 5.8 | 4.8 | 130.67 | 183.1 |
| June | 26.5 | 6.6 | 4.8 | 134.81 | 178.2 |
| July | 26.7 | 4.8 | 4.8 | 137.21 | 176.8 |
| August | 26.6 | 6.5 | 5.4 | 136.84 | 178.2 |
| September | 25.3 | 5.1 | 3.8 | 138.24 | 175.7 |
| October | | | | 140.92 | 172.2 |

**■ GERMANY**

| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
|---|---|---|---|---|---|
| 1985 | 242.7 | 33.3 | 23.2 | 2.2260 | 100.0 |
| 1986 | 248.5 | 53.5 | 41.8 | 2.1279 | 108.6 |
| 1987 | 254.4 | 56.8 | 40.6 | 2.0710 | 114.9 |
| 1988 | 272.6 | 61.4 | 42.4 | 2.0739 | 114.1 |
| 1989 | 310.1 | 65.1 | 51.5 | 2.0681 | 113.3 |
| 1990 | 324.9 | 51.8 | 38.3 | 2.0537 | 118.1 |
| 1991 | 327.6 | 11.1 | -14.8 | 2.0480 | 117.1 |
| 1992 | 330.9 | 16.8 | -15.0 | 2.0187 | 120.6 |
| 1993 | 325.2 | 30.6 | -11.6 | 1.9337 | 125.3 |
| 1994 | 330.2 | 37.6 | -16.8 | 1.9196 | 125.8 |
| 1995 | 404.4 | 45.9 | -16.1 | 1.8509 | 132.1 |
| 4th qtr.1995 | 102.6 | 12.6 | -4.8 | 1.8365 | 132.3 |
| 1st qtr.1996 | 103.0 | 11.4 | -2.9 | 1.8455 | 130.6 |
| 2nd qtr.1996 | 101.6 | 11.2 | -3.5 | 1.8821 | 128.2 |
| 3rd qtr.1996 | 104.9 | 14.5 | -5.9 | 1.8884 | 128.7 |
| November 1995 | 34.3 | 5.1 | 0.3 | 1.8363 | 132.4 |
| December | 34.5 | 3.8 | -2.5 | 1.8374 | 131.6 |
| January 1996 | 34.2 | 2.9 | -2.7 | 1.8480 | 131.0 |
| February | 34.4 | 4.6 | 0.5 | 1.8377 | 130.8 |
| March | 34.4 | 3.9 | -0.6 | 1.8508 | 130.1 |
| April | 34.2 | 4.2 | -0.6 | 1.8715 | 129.0 |
| May | 33.8 | 4.2 | -1.5 | 1.8826 | 127.7 |
| June | 33.6 | 2.8 | -1.4 | 1.8921 | 127.8 |
| July | 36.4 | 5.4 | -2.6 | 1.8888 | 128.5 |
| August | 34.6 | 4.2 | -2.4 | 1.8608 | 129.2 |
| September | 34.9 | 4.8 | -0.6 | 1.8957 | 128.3 |
| October | | | | 1.9157 | 127.3 |

**■ FRANCE**

| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
|---|---|---|---|---|---|
| 1985 | 133.4 | -3.7 | -0.2 | 6.7942 | 100.0 |
| 1986 | 127.1 | 0.0 | 3.0 | 6.7946 | 102.7 |
| 1987 | 128.3 | -4.6 | -3.7 | 6.9295 | 102.7 |
| 1988 | 141.9 | -4.7 | -3.4 | 7.0364 | 100.6 |
| 1989 | 162.9 | -6.3 | -3.8 | 7.0169 | 99.6 |
| 1990 | 170.1 | -7.2 | -7.2 | 6.9202 | 103.8 |
| 1991 | 175.4 | -4.2 | -4.9 | 6.9643 | 102.1 |
| 1992 | 182.5 | 4.5 | 2.8 | 6.8420 | 105.4 |
| 1993 | 179.6 | 13.3 | 8.0 | 6.6291 | 109.1 |
| 1994 | 198.8 | 12.9 | 8.4 | 6.5859 | 110.1 |
| 1995 | 222.1 | 15.9 | 12.4 | 6.4460 | 113.4 |
| 4th qtr.1995 | 58.2 | 4.2 | 2.4 | 6.3560 | 114.3 |
| 1st qtr.1996 | 58.0 | 4.7 | 6.1 | 6.3291 | 113.9 |
| 2nd qtr.1996 | 58.2 | 3.8 | 3.2 | 6.3772 | 113.2 |
| 3rd qtr.1996 | 57.8 | 5.3 | | 6.4242 | 113.2 |
| November 1995 | 18.9 | 1.9 | 1.3 | 6.3308 | 114.8 |
| December | 18.7 | 1.1 | 0.5 | 6.3269 | 114.6 |
| January 1996 | 19.2 | 1.3 | 2.5 | 6.3221 | 114.4 |
| February | 18.9 | 1.6 | 1.7 | 6.3189 | 113.7 |
| March | 19.9 | 1.8 | 2.0 | 6.3434 | 113.7 |
| April | 18.5 | 0.5 | 0.6 | 6.3489 | 113.9 |
| May | 19.3 | 1.8 | 1.0 | 6.3707 | 113.3 |
| June | 18.5 | 1.5 | 1.5 | 6.4121 | 113.0 |
| July | 18.9 | 1.8 | 0.0 | 6.3965 | 113.7 |
| August | 19.6 | 2.1 | 1.8 | 6.4231 | 113.2 |
| September | 19.3 | 1.6 | | 6.4532 | 112.8 |
| October | | | | 6.4770 | 112.5 |

**■ ITALY**

| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
|---|---|---|---|---|---|
| 1985 | 103.7 | -16.0 | -6.4 | 1443.0 | 100.0 |
| 1986 | 99.4 | -2.5 | -1.4 | 1461.6 | 101.4 |
| 1987 | 101.0 | -7.7 | -2.1 | 1494.3 | 101.1 |
| 1988 | 108.8 | -8.9 | -6.9 | 1536.8 | 97.7 |
| 1989 | 127.8 | -11.3 | -17.0 | 1509.2 | 98.6 |
| 1990 | 133.6 | -9.3 | -18.0 | 1523.2 | 100.1 |
| 1991 | 137.0 | -10.5 | -17.7 | 1531.3 | 98.7 |
| 1992 | 137.9 | -8.0 | -21.5 | 1591.5 | 95.6 |
| 1993 | 144.9 | 18.1 | 9.7 | 1838.7 | 80.5 |
| 1994 | 161.4 | 18.8 | 13.1 | 1908.6 | 77.0 |
| 1995 | 179.8 | 22.0 | 20.1 | 2105.4 | 69.4 |
| 4th qtr.1995 | 49.3 | 6.0 | 6.0 | 2061.0 | 70.4 |
| 1st qtr.1996 | 47.8 | 4.8 | -1.2 | 1978.7 | 73.2 |
| 2nd qtr.1996 | 51.8 | 9.8 | 10.7 | 1922.2 | 75.3 |
| 3rd qtr.1996 | | | 8.8 | 1918.4 | 78.7 |
| November 1995 | 16.3 | 2.0 | 1.0 | 2054.8 | 70.5 |
| December | 16.6 | 1.9 | 2.0 | 2033.5 | 71.1 |
| January 1996 | 13.6 | 0.1 | -1.1 | 2001.4 | 72.4 |
| February | 16.3 | 2.1 | 1.2 | 1969.5 | 73.3 |
| March | 18.0 | 2.7 | -1.3 | 1959.1 | 74.0 |
| April | 16.2 | 2.3 | 2.4 | 1944.9 | 74.8 |
| May | 18.1 | 3.9 | 4.0 | 1912.2 | 76.2 |
| June | 17.4 | 3.7 | 4.3 | 1909.6 | 76.8 |
| July | 19.7 | 6.3 | 2.7 | 1916.1 | 76.6 |
| August | 11.9 | 3.5 | 5.4 | 1923.8 | 78.4 |
| September | | | 0.7 | 1913.2 | 77.9 |
| October | | | 1.3 | 1911.4 | 77.5 |

**■ UNITED KINGDOM**

| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
|---|---|---|---|---|---|
| 1985 | 132.4 | -5.7 | 3.6 | 0.5890 | 100.0 |
| 1986 | 108.3 | -14.2 | -1.3 | 0.6708 | 91.1 |
| 1987 | 112.3 | -16.4 | -5.8 | 0.7047 | 89.3 |
| 1988 | 120.9 | -32.3 | -24.8 | 0.6643 | 94.7 |
| 1989 | 137.0 | -35.7 | -33.3 | 0.6728 | 91.9 |
| 1990 | 142.3 | -26.3 | -26.2 | 0.7150 | 89.8 |
| 1991 | 147.7 | -14.7 | -11.4 | 0.7002 | 90.5 |
| 1992 | 145.9 | -17.8 | -13.8 | 0.7359 | 87.1 |
| 1993 | 158.0 | -17.2 | -13.6 | 0.7780 | 79.9 |
| 1994 | 174.1 | -14.0 | -3.1 | 0.7736 | 80.1 |
| 1995 | 186.0 | -14.2 | -4.8 | 0.8190 | 76.2 |
| 4th qtr.1995 | 47.4 | -3.8 | -1.4 | 0.8267 | 75.0 |
| 1st qtr.1996 | 49.0 | -4.5 | -1.5 | 0.8308 | 75.0 |
| 2nd qtr.1996 | 50.9 | -4.0 | 1.0 | 0.8113 | 75.1 |
| 3rd qtr.1996 | 51.7 | -3.3 | | 0.8113 | 76.8 |
| November 1995 | 16.3 | -0.6 | n.a. | 0.8291 | 74.8 |
| December | 15.7 | -1.3 | n.a. | 0.8285 | 74.5 |
| January 1996 | 16.1 | -1.7 | n.a. | 0.8254 | 74.8 |
| February | 16.4 | -1.7 | n.a. | 0.8158 | 75.3 |
| March | 16.5 | -1.1 | n.a. | 0.8212 | 75.0 |
| April | 16.7 | -1.8 | n.a. | 0.8201 | 76.2 |
| May | 17.2 | -1.3 | n.a. | 0.8106 | 76.0 |
| June | 17.1 | -1.0 | n.a. | 0.8031 | 77.2 |
| July | 17.1 | -1.5 | n.a. | 0.8085 | 77.0 |
| August | 17.0 | -0.7 | n.a. | 0.8185 | 76.1 |
| September | 17.6 | -1.1 | n.a. | 0.8070 | 77.4 |
| October | | | n.a. | 0.7804 | 79.4 |

Due to the introduction of the Single Market, EU countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

# Treatment of Bhopal victims 'immoral'

By Jenny Luesby

The International Medical Commission on Bhopal yesterday launched a bitter attack on the Indian government and Union Carbide, the US chemicals company, for neglecting victims of the world's worst industrial accident at Bhopal.

In its report on the medical condition of the victims, published yesterday 12 years after the accident, the commission claimed that survivors' ailments were "unrecognised, untreated and mistreated".

"At every point Union Carbide has been as obstructive as possible," said Dr Rosalie Bertell, one of the commissioners. This had created an "immoral international situation".

The research is the first independent assessment of the impact of the 1984 accident on hundreds of thousands of survivors.

Between 4,000 and 5,000 people were killed by the release of 40 tonnes of poisonous pesticide from a plant owned jointly by Union Carbide and the Indian government. The commission, made up of 15 medical specialists from 12 countries, is the only team of international experts to have been allowed into Bhopal.

The commission found that the compensation procedure set up by the Indian government had been derailed by corruption. It also reported that local doctors had been obstructed in their efforts to recognise victims and deliver appropriate healthcare by the government's refusal to release relevant medical data. The commission said that around 200,000 survivors had suffered permanent damage to their health and partial or permanent disability.

However, the out-of-court settlement between the Indian government and Union Carbide, made in 1989, had been made without reference to the number of victims from the accident.

China's four demands to restore dialogue □ Taiwan's search for recognition

# Taipei rejects Beijing's conditions

By Laura Tyson in Taipei

Taipei yesterday flatly rejected as "impossible" demands by Beijing that the island abandon its pursuit of international recognition as a condition for resumption of bilateral contacts severed in June 1995.

The exchange of views came as Mr John Chang, Taiwan's foreign minister, scrambled to shore up ties among Taipei's dwindling ranks of allies on a secret European trip, after failing to persuade South Africa to reverse its decision to cut diplomatic links.

China's senior Taiwan negotiator set out in Hong Kong's pro-Beijing Wen Wei Po newspaper four conditions for reopening a dialogue across the Taiwan Strait. Beijing broke off talks in anger at a visit to the US by Mr Lee Teng-hui, Taiwan's president.

Mr Tang Shubei, China's Taiwan negotiator, demanded Taiwan abandon its ambitions to join the United Nations; stop sending leaders to countries that recognise Beijing; give up dual recognition and halt imports of large amounts of advanced weaponry.

"Communist China's demands are unreasonable. There is no way we will agree to such conditions," said Mr Shi Hwei-you, vice-chairman of the cabinet's Mainland Affairs Council (MAC). "The conditions are simply impossible."

Mr Shi, whose agency is charged with shaping the Taiwan government's China policies, said that, as a member of the international community, Taiwan was entitled to parallel contacts with other countries.

Mr Chang King-yuh, MAC chairman, said the government would follow the "people's will" in developing its China policies. He added that the door for negotiations with China was always open and that Taipei would wait patiently for the resumption of talks.

Taipei is feeling increasingly isolated diplomatically in the wake of Pretoria's announcement in late November that it would switch recognition from Taipei to Beijing in one year. The loss of Taipei's biggest ally has sparked speculation that some remaining allies – altogether just 29 mainly small and poor countries in central America and Africa – may follow suit.

Panama, Paraguay and the Vatican are said by analysts to be the most vulnerable to pressure from Beijing.

# Indian insurance strike over 'privatisation'

By Mark Nicholson in New Delhi

Up to 200,000 Indian insurance workers staged a day-long strike yesterday, to protest against a proposed parliamentary bill to give statutory powers to a new insurance regulatory authority.

Insurance unions say the move is a first step to privatisation and foreign investment in the state-run sector.

Offices of the General Insurance Company and Life Insurance Company, the two state monopolies for general and life insurance, were closed yesterday to mark the protest. Mr P.K. Ganguly, a leader of the leftist Centre for Indian Trades Unions, said the workers "totally opposed" moves to "open up the sector to multinationals and other foreign companies".

India's insurance sector, fully nationalised in 1973, remains untouched by five years of liberalising reforms. Foreign governments, notably the US and Britain, have consistently lobbied the Indian government to reform the sector; several US, British and European insurers have already established joint ventures with Indian partners in anticipation of an opening.

Insurance reforms were advocated three years ago in an influential report headed by Mr R.N. Malhotra, former central bank governor, which said the sector should be progressively opened to private and foreign players, largely in the interests of improving competitiveness and efficiency. But India's previous Congress party government was slow to act on the recommendations.

Mr P. Chidambaram, finance minister, promised in this year's budget to propose a bill empowering the three-member regulatory authority, appointed last year; the move is due for parliamentary vote in the present session. The finance minister also promised to "revisit" the issue of insurance liberalisation next spring.

Hindu nationalist and leftist politicians have said they oppose the move. India's Communist party (Marxist), which otherwise supports the minority and coalition United Front government, has suggested it would oppose the bill.

It argues liberalisation would lead to "capital flight".

# NZ set to have new government today

By Terry Hall in Wellington

Balancing act: NZF party leader Winston Peters

Mr Jim Bolger, New Zealand's caretaker prime minister, said last night that the country should finally get a government today, two months after a general election in which no single party emerged with a majority.

The make-up of the government is expected to be decided at an all-day meeting today of MPs from New Zealand First (NZF), the small populist party which holds the balance of power.

NZF, led by Mr Winston Peters, a former National cabinet minister, will debate whether it should join forces with the National party or a Labour-Alliance party coalition grouping.

NZF won 13 per cent of the vote in the general elections on October 12.

Since then both the main parties, National and Labour, have been courting Mr Peters, hoping to secure his party's support to form the new government. Pressure is building on Mr Peters and his team to announce its decision ahead of the opening of parliament on Thursday.

National and Labour MPs have agreed to the terms for a possible coalition agreement with NZF, which have been hammered out by party negotiators. Labour spent most of yesterday in talks with Alliance, seeking its support – the last hurdle it needs to overcome before today's NZF meeting. The talks were described as "positive".

However, Mr Peters yesterday suggested that NZF may, after all, decide to retain its independence and not enter a coalition government.

This would probably lead to the creation of a minority National government, the biggest single party, with NZF support on key confidence issues. NZF's 17 MPs are said to be evenly split between supporting National and Labour.

Mr Peters is believed to favour a coalition with National, from which he resigned as a cabinet minister in 1992 after a series of public arguments with Mr Bolger, its leader.

However, Mr Peters is unpopular among National MPs, who have been wary of linking with him.

He has, in recent weeks, been emphasising "natural conservative" credentials.

It is widely known that Mr Peters opposes a linkage with the more left-wing Alliance, whose support Labour would need to form a majority coalition alongside NZF.

He faces a credibility problem whichever of the main parties he chooses to join, as his support base is drawn from discontented voters from both National and Labour.

Over the past five years Mr Peters has consistently criticised both parties, saying they were "the same horse but with different jockeys".

In the election campaign he reserved his greatest criticism for Mr Bolger, claiming he was "not fit to govern". Over the past two months, however, the pair have had more cordial meetings. Mr Peters said the time had come to "put the differences of the past behind us".

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ASIA-PACIFIC NEWS DIGEST

## Japan bank lowers rate

The Industrial Bank of Japan will lower its long-term prime lending rate by 0.2 percentage points to a record low of 2.5 per cent from tomorrow, it said yesterday. The cut in the prime rate – the interest rate that the IBJ offers to the most creditworthy corporate clients – was seen as further indication of continued easing of monetary policy in Japan in the foreseeable future.

The declining trend in long-term rates on the Tokyo money market was reinforced by the release in November of the Bank of Japan's quarterly "tankan" survey of business sentiment, which showed a weak recovery in business confidence.

Japan's two other long-term credit banks – the Long-Term Credit Bank of Japan and Nippon Credit Bank – are expected to follow suit.

Long-term credit banks customarily set their long-term prime rates at 0.9 percentage points above the coupon on IBJ's most recent five-year debenture issue. The rate is reviewed when the debenture's coupon and its market yield differ by more than 0.2 points.

The IBJ's December five-year debentures for institutional investors will carry a coupon of 1.6 per cent – down from the November issue, which carries a coupon of 1.8 per cent. *Gwen Robinson, Tokyo*

## Colour TV price war in China

A colour television price war in China is spurring sales, cutting the share of foreign brands and rationalising an industry which has capacity nearly three times that of demand, company officials and newspapers reported yesterday.

Price-cutting began in March when the market leader, Sichuan Chang Hong Electric, lowered prices by 8 to 18 per cent. Other big domestic producers followed suit.

The result was a rise in market share for the main Chinese producers and a drop in the share held by foreign brands and by small and medium-size Chinese makers, the Shanghai Securities News said.

Because of the price cut, Chang Hong's market share rose to 26 per cent in October from 16 per cent in March, with sales rising by 1.3m sets. It overtook Matsushita Electric Industry as top seller.

Chang Hong expects total 1996 sales of 4.5m sets, up from 2.6m in 1995 out of total national output of 58m sets, up 15.9 per cent over 1994. *Reuter, Shanghai*

## N Koreans defect to Seoul

A group of 17 North Koreans arrived in Seoul yesterday, in what is believed to be the largest single batch of defections to South Korea. Officials fear the defections will be the start of an exodus of North Koreans because of food shortages in the North.

The North Koreans – 16 members of one family and a state policeman who guided them – were helped in their escape by a wealthy relative in the US, who provided funds to bribe border guards. The family travelled through China for six weeks before reaching Hong Kong and then flew to Seoul.

The number of North Koreans defecting to South Korea is still small, totalling just 140 since 1991, while another 1,000-2,000 North Koreans are believed to have escaped to Russia or China. The South Korean government yesterday submitted legislation that would establish settlement camps where defectors can stay for up to a year for questioning and vocational training. *John Burton, Seoul*



# Ruling in Philippine brewery fight

By Justin Marozzi in Manila

The long-running legal dispute between the Philippine government and Mr Eduardo Cojuangco, former chairman and major shareholder of San Miguel, the country's largest brewery group, took another twist yesterday with a Supreme Court ruling in favour of the controversial businessman.

Mr Cojuangco, an ally of former President Ferdinand Marcos, is fighting to regain control of a 48 per cent share in the brewing group, sequestered by the Presidential Commission on Good Government (PCGG) almost 10 years ago.

The PCGG was established by former President Corazon Aquino to recover assets thought to have been acquired under the Marcos regime. Eight of San Miguel's 15-strong main board are PCGG appointees.

Through a network of companies, Mr Cojuangco had previously exercised majority control of the group until the PCGG's intervention.

The stake was subsequently reduced slightly after a buy-back by San Miguel. Yesterday's Supreme Court ruling rejected a PCGG petition to block Mr Cojuangco's attempts to oust the PCGG directors and now allows an anti-graft court to rule on his petition.

Although such a court usually has no jurisdiction over cases involving removal from office, the Supreme Court ruled "it may do so as an exception as when the case involves, arises from, or is related to PCGG cases" over the wealth of the Marcoses. San Miguel yesterday refused to comment.

The ruling, which relates to one of the sequestered tranches amounting to 20 per cent of the equity, edges Mr Cojuangco's case against the PCGG a step forward. After seeing its share of local beer consumption slip from 94 per cent in 1990 to 80 per cent in 1996 as its rival Asia Brewery introduced cheaper brands, San Miguel recently increased its exposure to Chinese, Indonesian and Hong Kong markets.

# Ramos firmly on reform path

**Edward Luce** on new zeal after flagship tax bill passes congress

At any other time, the Philippine central bank's decision to loosen monetary policy would have been interpreted as a routine measure. But government economists say that the cut last month in the minimum reserve requirement on domestic banks amounted to more than just mundane tinkering with banking regulations.

The decision, which is expected to be followed by further opening of the domestic banking sector to foreign competition next year, has been presented as the start of a new burst of reformist zeal for the last 18 months of the presidency of Mr Fidel Ramos.

With the summit of the Asia Pacific Economic Co-operation (Apec) forum out of the way, government strategists are now focusing on the next batch of reforms which had been put on hold because of wrangling over a flagship tax reform bill. Helped by the fact that the most controversial – and seemingly intractable – portion of the bill was pushed through on the eve of the Apec summit, the government has been given "a new lease of life" according to one official.

The next, and possibly last, generation of Ramos reforms include the US$5bn privatisation of the national power corporation, a push to contract out government services to the private sector – including health, education and state pension funds – and liberalisation of the protected retail sector.

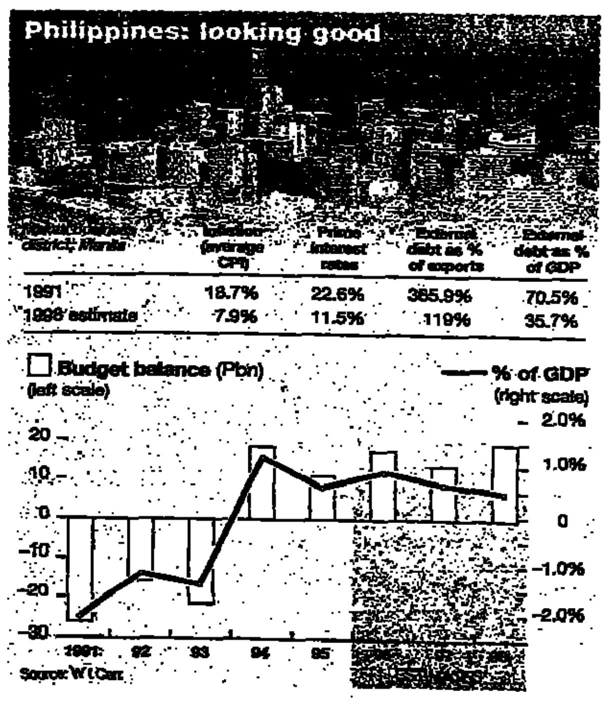
With the new tax law providing for simplification of personal and corporate income tax, further measures aimed at simplifying the tax treatment of corporate debt and to boost the development of a more sophisticated local capital market are before congress. Mr Ramos is also keen to accelerate reform of the widely disrespected judiciary and police force.

Mr Roman Azanza, chairman of the capital markets development council, a government body, said getting the tax bill through congress showed that the government "is prepared to really push congress when it needs to".

"In comparison, the next pieces of legislation should be less controversial," he said.

The tax law is regarded as the single most important economic reform undertaken by the Ramos government. Its success "shows that the government can summon the political will to face off powerful vested interests," said Mr Jojo Gonzalez, an analyst at Jardine Fleming in Manila. "It would have been difficult to imagine this outcome a few years ago."

It also fulfils the country's last major pledge to the International Monetary Fund under a three-year programme that expires in June.




"Revenues from the new tax system will remove a serious obstacle to sustainable high growth in the Philippine economy," said Mr Neil Saker, regional economist at Crosby Securities in Singapore. "There are other problems such as the widening trade deficit but regular government surpluses should help keep a lid on the current account deficit."

The government still faces opposition in the next few weeks as it deregulates the oil industry and raises petrol prices. Petrol pump increases were postponed last month to prevent street demonstrations coinciding with the Apec summit. And Mr Ramos's opponents say the divisive issue of abolishing the presidential term limit, which would allow him to stand for a second six-year term when this one expires in May 1998, will be pushed into the political limelight. Mr Ramos managed to keep the issue on the "backburner" while attention was focused on enacting the tax bill.

A successful Apec summit may have been Mr Ramos's last piece of good news for the next few months.

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# UK to follow US in pulling out of Unido

By Ian Hamilton Fazey

The British government is to pull out of the United Nations Industrial Development Organisation, Unido, at the end of next year because the UN has failed to sort out overlaps between its specialised agencies involved in economic development.

The US decided to quit Unido a year ago and will do so at the end of this month. The UK decision is significant because it breaches European Union solidarity in support of Unido, which was relying on the EU and Japan for more than 70 per cent of its $78m regular budget in the wake of the US withdrawal.

The German cabinet is tomorrow due to discuss a recommendation from Mr Carl-Dieter Spranger, German minister for economic co-operation and development, that it too should quit Unido at the end of 1997.

With the UK and Germany between them contributing 20 per cent of Unido's 1997 regular funding, German withdrawal would almost certainly cripple the organisation, probably forcing it to consider merging with the New York-based UN Development Programme (UNDP) and/or the Geneva-based UN Council for Trade and Development (Unctad).

The UK decision was broken to Unido staff at its Vienna headquarters yesterday. Baroness Chalker, the UK overseas development minister, had earlier written to Mr Mauricio de Maria y Campos, Unido's director-general, saying the UK was no longer convinced it was needed as a specialised institution. Lady Chalker was not available for comment.

A shocked Mr Maria y Campos said there was "a major contradiction" in Lady Chalker's arguments. She had welcomed cost-cutting, anti-bureaucratic reforms he had spearheaded since taking charge of the organisation in 1993 but was now making Unido the scapegoat for the UN's general lack of progress on reform.

"Hitting out at the one UN organisation that did most in terms of reform is a powerful disincentive to reform. We did our job and took the lead in the UN system. Broader UN reform is not within the realm of Unido," he said.

Unido earned its reputation as a bloated, top-heavy, overpaid bureaucracy under its previous director-general, Mr Domingo Siazon, now Philippine foreign minister. *It also fell out of favour with* the US because of its close work with the command economies of developing countries influenced by the former Soviet bloc.

Its role changed dramatically after the cold war and Mr Maria y Campos has removed a layer of senior management and halved staff to about 750. One of its new roles is as lead agency for implementing the Montreal Protocol on pollution in the transitional economies of central and eastern Europe.

However, it has also become the most obvious target through which the UN's paymasters – comprised mainly of western Europe, North America, Japan and Australasia – could prove UN agencies could be dismantled as well as created.

## OECD member states allocate an average 5.8% of GDP for schooling

# Spending on education stagnates

By Simon Targett, Education Correspondent

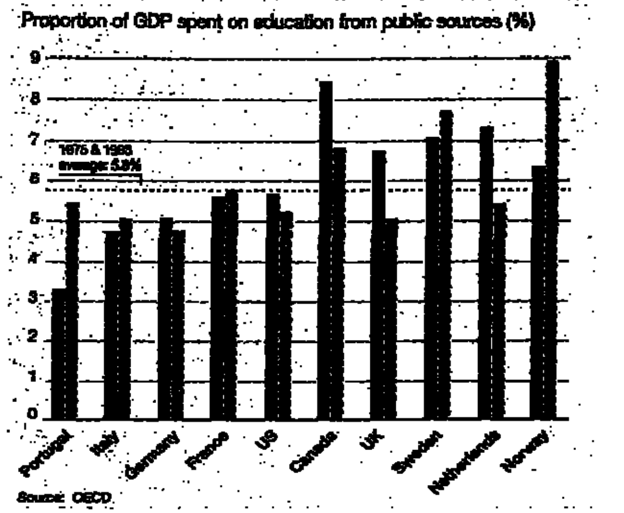
Education spending as a proportion of national income has stagnated over the past 20 years, according to figures released yesterday by the Organisation for Economic Co-operation and Development. Yet, for all *this, student participation* in post-compulsory education has actually risen because of a significant falling birth rate in the 28 OECD member countries.

Countries spend between 3.5 per cent (Greece) and 9 per cent (Norway) of gross domestic product on education. The average spend is 5.8 per cent, and both the UK and US allocate less than this, having seen their education expenditure decline marginally since 1975. Japan spends just 3.6 per cent of GDP on education.

While some countries invest in a mass system, others invest heavily in individual students. At tertiary level, Switzerland spends an annual $15,700 per student, or $64,500 over the whole study period. By comparison, Mexico spends $4,300 annually per student, or $11,300 for a complete course.

**Change in educational resources**

Proportion of GDP spent on education from public sources (%)




Source: OECD

A significant outlay is teachers' pay, and again there is great variation.

Primary school teachers in Turkey can expect a starting salary of just over $8,000, compared with those in Switzerland where the remuneration totals more than $30,000.

Some countries prefer to put more money into cutting class sizes rather than giving big bonuses to individual teachers. In the US, primary school teachers receive an average $49,600, but the pupil-teacher ratio is nearly 18:1. In Denmark, teachers earn just $25,600, but the pupil-teacher ratio is a healthier 11:1.

There is also a variation in the number of hours children spend with their teachers in class. Across the OECD spectrum, the average is 908 hours a year for 12 year-olds, 931 for 13 year-olds and 935 for 14 year-olds. For this age group, slightly more (28 per cent) is allocated for developing language skills than for mathematical and scientific skills (24 per cent). But the range of instruction hours ranges from less than 700 hours (Turkey) to nearly 1,100 hours (Austria).

If there are significant regional differences in spending policy, the global level of resources earmarked for education has not changed substantially since the 1970s. Yet participation in education after the age of 15 or 16 has boomed, particularly in some southern European countries, and the OECD concludes that so-called "upper secondary" education – broadly 16-18 year-olds – has become "the norm".

While participation in post-16 school education has levelled off around the 86 per cent mark in the US, in Portugal it has doubled. However, such marked improvements mask still low levels of national participation, with fewer than 25 per cent of Turkish 25-34 year-olds having completed this level of education.

In Italy, one of the richest countries in Europe, less than half the population aged 25-34 stayed on after the end of compulsory schooling.

The OECD figures show that a growing minority is completing tertiary education, with the average jumping from 19 per cent for 45-54 year-olds to 23 per cent for 25-34 year-olds. Some of the "catching up" has taken place in Europe, notably in

**Participation in education after the age of 15 or 16 has boomed, particularly in some southern European countries**

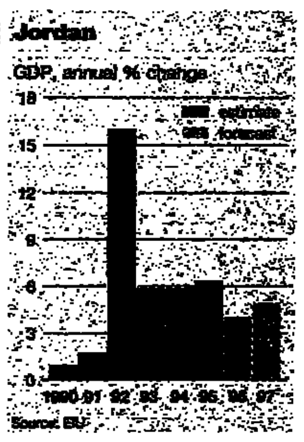
Ireland, France, Greece and Spain.

Canada stands as the most educated nation, with more than 50 per cent of those aged 25-34 graduating with a tertiary level qualification. By comparison, in Italy and Austria fewer than 10 per cent of the same age group has reached an equivalent standard.

*Education At A Glance – OECD Indicators. Available from OECD, 2 Rue Andre-Pascal, 75775 Paris. Price: $50*

INTERNATIONAL NEWS DIGEST

# Surprise Iraqi visit to Jordan




Jordan and Iraq are moving closer to improved economic and political ties following a surprise visit by the Iraqi foreign and trade ministers to Amman at the weekend. Meetings between Mr Mohammed Saeed al-Sahhaf, Iraq's foreign minister, who held talks with Jordan's King Hussein, and Mr Mohammed Mehdi Saleh, the trade minister, who met Mr Abdul-Karim al-Kabariti, the Jordanian prime minister, came ahead of official clearance for the United Nations food-for-oil deal. Mr Boutros Boutros Ghali, UN secretary-general, certified yesterday that all the conditions set by the Security Council had been fulfilled to allow Iraq to resume limited oil exports.

The meetings went ahead despite cool relations between Jordan and Iraq, following Amman's offer of refuge last year to opposition members.

The weekend visits had an immediate effect on Jordanian stocks. The Amman financial market's 60-share index moved up 0.91 per cent to 155.11, its highest level since February. Bankers said trading was especially strong for vegetable oils, pharmaceuticals and chemicals stocks, which Jordan exported to Iraq before the 1990-91 Gulf war and which are permitted to be exported to Iraq under the oil-for-food deal. *Judy Dempsey, Jerusalem*

See Commodities, Page 28

## Israel seeks further cuts

The Israeli cabinet yesterday agreed additional budget cuts of Shk1.2bn ($367m), signalling the government's determination to reduce the budget deficit and reassure foreign investors and the markets that it is committed to structural reforms.

The combined Shk5.1bn cut will be presented to the Knesset later this month, where it will face tough opposition. But Mr Benjamin Netanyahu, prime minister, and Mr Dan Meridor, finance minister, are confident it will be passed. Mr Netanyahu said if "we don't cut, let there be no doubt that we will pay with a deterioration in our standing in the financial markets and in our credit rating".

Approval of the budget cuts could pave the way for lower interest rates, which the business community has been clamouring for as high interest rates and an overvalued shekel has hit profitability.

The cuts are aimed at bringing the budget deficit down from 4-4.5 per cent of gross domestic product this year to 2.8 per cent next year, a target which may prove elusive given lower than expected revenues this year and sluggish economic growth. But even if there is a revenue shortfall, Mr Netanyahu insists he will not resort to raising taxes to reach the target. *Judy Dempsey*

## Gulf states take tough line

Leaders of six Gulf states yesterday condemned the policies of Iraq, Iran and Israel, as well as the "interference" by some of Iraq's neighbours in northern Iraq, an apparent reference to Turkey, in a strongly worded communiqué at the end of their annual summit in Doha, Qatar.

The Gulf Co-operation Council states – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates – own nearly half of proven global oil reserves.

The GCC condemned Iraq for failing to meet all UN resolutions relating to the 1990-91 Gulf war, particularly its refusal to disclose details of its weapons of mass destruction.

The communiqué also criticised a weapons build-up by Iran, and its deployment of surface-to-surface missiles, which exceeded its "conventional" defensive needs.

Gulf leaders condemned Israel, which was called on to sign the nuclear non-proliferation treaty and allow inspection of nuclear installations.

For the fifth consecutive year, the GCC also called on Iran to end its occupation of three Gulf islands claimed by the UAE. *Robin Allen, Dubai*

## Mary Leakey dies at 83

Mrs Mary Leakey, the famous fossil hunter who in 1978 discovered footprints that are the oldest evidence of the origins of man, died in Nairobi early yesterday, aged 83.

Mrs Leakey and her husband, anthropologist Louis Leakey, who died in 1972, together discovered the fossils of the 1.75m-year-old *Homo habilis* in a dig at Tanzania's Olduvai Gorge in 1964.

Her 1978 discovery of footprints in volcanic ash at Laetoli in Tanzania revealed that the human ancestor *Australopithecus afarensis* walked fully upright much earlier than was previously thought. The footprints are believed to be 3.6m years old. *Reuter, Nairobi*

WORLD'S TRADE MINISTERS MEET IN SINGAPORE

# WTO progress on textiles and customs

By Guy de Jonquières, James Kynge and Frances Williams in Singapore

SINGAPORE December 1996

World Trade Organisation members yesterday resolved a long-running dispute over textiles which has deeply divided rich and poor countries.

The US and Canada finally dropped objections to the wording of a declaration which implicitly calls on western countries to speed up the elimination of curbs on imports from developing economies.

Ministers also agreed to instruct the WTO to study simplification of customs procedures – a move which has long been a priority for international business organisations.

The ministers further sought to accelerate talks on liberalisation of telecommunications markets, amid growing optimism that they can conclude negotiations by the deadline for a deal in mid-February. Sir Leon Brittan, EU trade commissioner, hoped the WTO's five-day ministerial meeting, which opened here today, could "break the back" of the talks.

Progress was also evident in talks on an agreement to free global trade in information technology products when the EU and US pledged to work for the conclusion of a pact this week.

**China's WTO application is unlikely to be high on the Quad agenda**

Sir Leon and Ms Charlene Barshefsky, acting US trade representative, said after an hour-long meeting that they had made useful progress. But they said further work remained to be done if an IT deal was to be struck this week.

However, Mrs Rafidah Aziz, Malaysia's international trade minister, was far more negative. "We did not come to the WTO to negotiate an IT agreement. As far as Malaysia is concerned – No!"

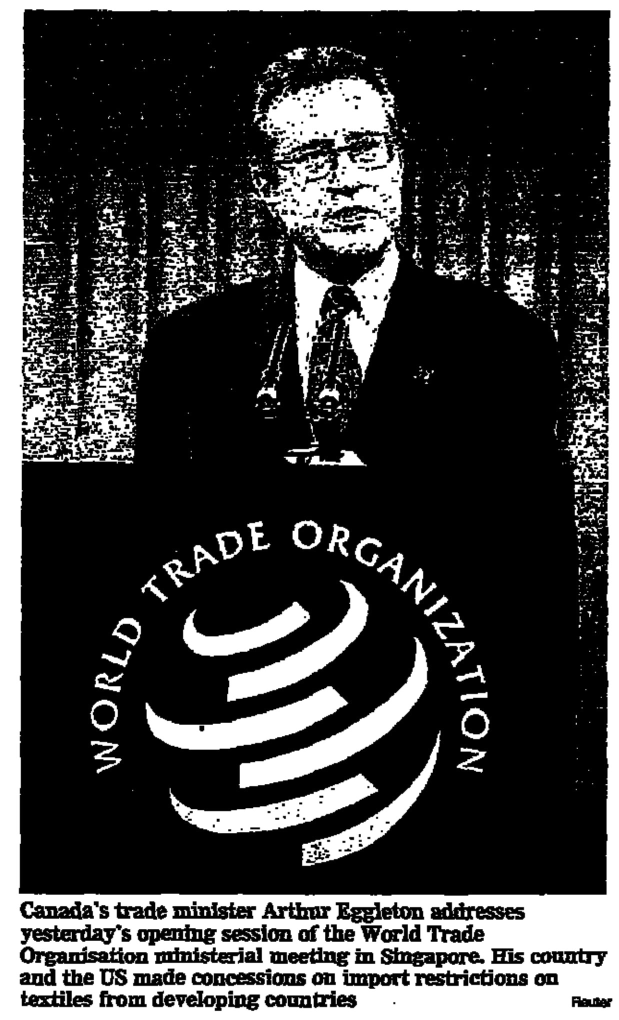
Mrs Rafidah said she believed her views were shared by other members of the seven-country Association of South-east Asian Nations. The US and the EU insist that the success of the IT negotiations hinges on the active participation of leading south-east Asian countries.

The IT agreement is expected to be discussed at a meeting here today of ministers of the "Quad" powers – the US, EU, Canada and Japan. Sir Leon, who convened the meeting, said its main objective was to issue a statement of political support for the success of China's stalled negotiations to join the WTO.

However, his enthusiasm does not appear to be shared by Washington, in spite of a recent agreement between Mr Bill Clinton, the US president, and China's President Jiang Zemin to seek ways to speed up the membership talks.

A senior US trade official said China's WTO application was unlikely to be high on the Quad ministers' agenda.

However, there was little sign yesterday of any narrowing of divisions between WTO members over other controversial issues, notably US demands that they address trade and labour standards and an EU-led campaign to launch work on the relationship between trade and foreign direct investment.




Canada's trade minister Arthur Eggleton addresses yesterday's opening session of the World Trade Organisation ministerial meeting in Singapore. His country and the US made concessions on import restrictions on textiles from developing countries Reuter

# Ministers urged to do more for poor

## Developing nations deserve duty-free entry to rich markets, says UK charity

By Frances Williams in Singapore

Christian Aid, the UK-based charity, yesterday urged WTO ministers to do more to help the world's poorest countries benefit from trade.

In a report released for the first day of the WTO meeting in Singapore, Christian Aid said the least developed countries (LDCs) had failed to gain from freer trade. Instead, they had become increasingly marginalised in the global economy.

"Christian Aid believes there must be action to support poor countries if they are to become independent members of the global economic family," said Mr Peter Madden, co-author of the report.

Christian Aid expressed particular disappointment that richer nations had watered down the plan of action for LDCs proposed earlier this year by Mr Renato Ruggiero, WTO director-general. Ministers are due to endorse the plan in Singapore but only as a guide to action and not as a binding commitment.

"The WTO could show commitment by at least adopting [Mr Ruggiero's] proposal for duty-free access to rich-country markets for the least developed countries," Mr Madden said.

Christian Aid also called for increased technology transfer, aid and debt relief, and protection of LDCs from the negative consequences of the Uruguay Round trade accords, especially the agricultural agreement which is expected to raise world food prices over the long run by cutting subsidised exports.

At their last meeting in Marrakesh in 1994 ministers pledged help for poor food-importers to meet higher food bills resulting from the Round, but LDCs complain that little has been done.

The 48 countries defined by the United Nations as least developed, most of them in Africa, had seen their share of world trade fall by more than half over the past 20 years, the report noted. Their 570m people represent 12 per cent of the world's population but only 0.4 per cent of international trade, less than half the exports of Ireland.

● Friends of the Earth International yesterday called for the WTO's trade and environment committee to be abolished, saying its proceedings were a waste of time and threatened to stand in the way of environmental progress.

The World Wide Fund for Nature (WWF) also expressed its disappointment; it said the work of the committee called into question international environmental agreements and eco-labels that identified goods made in an environmentally friendly way.

# EU doubts on BA-American alliance plan

By Nancy Dunne in Washington and agencies

The European Commission still has "serious doubts" about whether to clear the alliance between American Airlines and British Airways and indicated that recent suggestions to sell slots would not compensate for the alliance's possible threat to competition.

"Selling slots is not something that we can accept, an EU source in reference to a British government statement that it would clear the alliance if the two companies met certain conditions, including giving up 168 landing slots at London Heathrow airport. British Airways responded that it would divest of slots only "on the basis of fair market value".

The EU sources said that the companies should cede more than 168 slots and that they should give them away rather than sell them.

EU sources also noted that on certain British-US destinations the companies would control a large proportion of the passenger traffic.

The US is taking a hard-line stance on the issue and is linking the proposed alliance with a bilateral "open skies" deal. Washington also insists that it would not be interested in the BA-American Airlines deal without "open skies".

American Airlines has yet to ask the US transportation department to rule on the alliance. "We could apply right now but because there is no underlying bilateral law, the likeliest outcome would be dismissal," said Mr Rob Britton, spokesman for American Airlines. "It's kind of a chicken and egg situation."

United, which also flies into Heathrow, praised the UK ruling on slots as a "step in the right direction" toward opening Heathrow to more competition."

Mr Cyril Murphy, a senior United Airlines official, however, said that other issues had not been addressed, such as Heathrow facilities or slots at the key airports of Chicago and New York.

Another airline official said the UK statement would have been more "useful" if it had been released before last week's "open skies" talks in London.

US aviation officials have expressed disappointment over "the lack of progress" in US-UK air liberalisation talks held in London last week, but at least one observer said important agreement had been reached on pricing and other more minor points.

A US transportation department official said the US was considering future steps but that no date has been set for further "open skies" negotiations.

The US has set out 11 demands – including open airport access – which were accepted in other "open skies" deals negotiated in Europe.

"If we give the Brits anything else, we'll have 11 governments wanting to renegotiate their agreements," a Senate staff member said.

However, one airline official said agreement was reached that, under US-UK "open skies", both governments would have to disapprove proposed fare changes to block airlines from charging the prices that they wish. Governments, he said, would want to maintain the "double disapproval" rule in order to curb predatory pricing.

Mr Britton said he was "optimistic" about the talks and hopeful that negotiators would meet again just after the start of the new year.

"There is a lot of will in Washington to get this deal done," he said. "Nobody at State or the Department of Transportation would have the appetite for calling this off."

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# Health officials cool on drugs proposal

By Daniel Green in Frankfurt

Health officials from several European Union countries yesterday gave a cool reception to proposals by the pharmaceuticals industry to curb sale of cheap drugs from southern Europe to northern Europe, where drug prices are higher.

However, Mr Martin Bangemann, the industry commissioner, said he would press ahead with proposals to dilute the power of governments to set drug prices.

Mr Bangemann was hosting talks in Frankfurt between health ministries and the drugs industry about completing the single European market in medicines.

The talks were given greater urgency by a European Court of Justice ruling last week allowing importers to take advantage of different drug prices across Europe, even though drugs companies had argued they could not raise prices to prevent the trade.

Mr Jan Leschly, chief executive of UK drugs company SmithKline Beecham, was one of the many industry executives to argue that such parallel trade forced prices lower across the Union, effectively imposing the pricing policies of one country on to others.

He warned that this encouraged companies like his to invest more in the US, where prices were set by market forces, at the expense of Europe. Industry executives urged measures such as a block exemption from the single market for drugs, or a single price across Europe plus the ability to offer discounts to governments but not importers.

But Mr Kimmo Leppo of the Finnish health ministry said that it would take a long time before health policies that affected drug prices converged enough to affect parallel trade.

And Mr Vittorio Silano, director general of Italy's ministry of health, argued that prices of some drugs, especially new launches that had a monopoly, were already too high.

Another health official said: "Why should we do anything at all about parallel trade?" He argues that drug prices were converging anyway so the problem would disappear within a few years.

Mr Bangemann disagrees. He said there was a contradiction between a single market among countries and a system where prices were controlled by individual governments.

Within three months, there would be a working paper and within six months proposals to introduce an element of free market competition to drug pricing, said Mr Bangemann. The contents of the working paper and proposals would be worked out through further consultations.

Health ministries should be aware that low drug prices did not necessarily mean a cheap health care system because higher prescribing levels often resulted.

# EU and US head for fur trade showdown

By Caroline Southey in Brussels

European Union environment ministers yesterday delayed until next March their threat to ban imports of fur from countries using leghold traps.

The ministers agreed to the delay in the hope that progress could be made in negotiations on banning the use of leghold traps. But the ministers called on the Commission to prepare for the import ban by drawing up a list of target countries.

Mr Brendan Howlin, the Irish environment minister, said it was important to send a strong signal to negotiating partners.

The EU has already twice delayed imposing the ban. The US has threatened to take the EU to the World Trade Organisation if the ban is imposed.

The threat of a ban appeared to have receded after EU negotiators struck a deal with Canada and Russia on restricting the use of some leghold traps. However, some EU ministers, notably from the UK, Germany and the Netherlands, yesterday rejected the compromise, calling on the EU to insist on the toughest standards.

Under the compromise deal steel-jawed traps would be banned after four years. But padded and aquatic traps would be excluded.

Mr John Gummer, the UK environment secretary, said the proposed compromise deal with Russia and Canada was unacceptable. "This is not an effective safeguard. Negotiators have tried to draw a distinction between steel and other traps. This is not a distinction the council is prepared to accept."

He said most ministers expected "more substantial changes in the negotiating stances" of the main fur-producing countries.

The tough stance taken by environment ministers suggests a deal with the US on banning even some traps will be impossible. The US has rejected the terms of the compromise deal.

● EU environment ministers yesterday tightened controls on trade in endangered animals and plants, such as rhinoceroses, tigers, parrots and orchids.

New rules, which have taken years to agree, are intended to improve control and monitoring measures for wildlife traded across the EU to take account of looser border controls under the single market.

The amendments update the EU's implementation of promises made to the 134-member Convention on Trade in Endangered Species, or CITES.







# Franco-German contest for $500m Chile submarine deal

By Imogen Mark in Santiago

Chile will shortly select the supplier for a submarine contract worth at least $500m. The final decision will have ramifications for regional security issues and the German and French weapons industries.

A senior government source confirmed that the choice, originally among four potential suppliers, has now been whittled down to two consortia – a German group led by HDW [Howaldtswerke-Deutsche Werft], and a French-Spanish venture, DCN-Bazán.

The other two contenders, which are now out of the race, were Sweden's Kockums shipyard with the Gotland class sub, and the UK, which was offering four Upholders. The Upholders were being offered at a very competitive price, but were apparently ruled out because of the high cost of maintenance.

The German product, named the type 209, has been successfully utilised by other South American navies. Chile already has two, known as the Thomson and the Simpson, and Argentina, Brazil, Colombia, Venezuela, Peru and Ecuador all have them.

Germany has been a leading weapons supplier in the South American market in the past decade, with sales worth $2.4bn, according to the latest report from the US Arms Control and Disarmament Agency, ACDA. If it wins the Chilean contract the shipyard group will consolidate its strong position in the region.

The French-Spanish offering, the Scorpene, represents a new generation of submarines. Its manufacturers say it will be designed to the standards of a nuclear submarine but with a conventional engine. However, it is only at an advanced design stage and there are as yet no other firm orders.

Both the type 209 and the Scorpene cost around $250m apiece. Chile's decision is expected early next year, and the new subs will replace two older UK Oberon class machines. Chile's other big acquisition plan is for a minimum of 12 fighter aircraft.

The air force is known to have its eye on the Lockheed Martin F-16s, though these are not formally on offer – the US government has banned sales of advanced combat aircraft to Latin America for the past 20 years.

But the US industry has been lobbying hard for a change of policy, and its arguments have been reinforced by Peru's recent purchase of 12 MiG-29s from Belarus. Washington has formally expressed its "disappointment" to Lima at the purchase. However, the Argentine defence minister, Mr Jorge Dominguez, has asked Washington not to sell combat aircraft to Chile, because "it is not appropriate or necessary for the region".

If the US ban stays in place, Chile's alternatives are the Gripen from Sweden's Saab or France's Mirage 2000-5. The Chilean air force say the new aircraft would replace about 30 of its Cessna A-37 Dragonflies. But a Chilean defence analyst, Mr Raúl Sohr, points out these are a light ground attack aircraft, while the proposed replacements are top-of-the-line combat jets.

At 2.6 per cent of its GDP, $2bn last year, Chile's defence budget is among the highest in South America, according to PAL, a research centre for government parliamentarians. Before leaving power in 1990 the armed forces set an index-linked floor for defence spending. They also receive 10 per cent of annual sales revenues, $250m-$300m a year, from Codelco, the state copper corporation, for use exclusively for arms purchases.

# US to burn or bury surplus plutonium

By Patti Waldmeir in Washington

Plutonium left over from 50 years of cold war nuclear weapons production will be encased in glass and buried, or burned in nuclear power plants, as part of a $2bn US government disposal programme.

Ms Hazel O'Leary, energy secretary, was expected to announce last night that her department had decided on a plan to dispose of surplus plutonium from the US nuclear weapon stockpile over a period of several years. The decision follows years of debate over how to get rid of plutonium from dismantled warheads and nuclear waste from weapons production facilities.

The issue of disposal has been one of the thorniest confronting the former cold war opponents, Russia and the US, as they shrink their nuclear arsenals.

Officials say they needed to find a disposal programme which would persuade Russia the US would not later retrieve the material for new weapons production.

For this reason, they opted to burn some of the material, after combining it with conventional nuclear power plant fuel. It would then be used as fuel for commercial generating plants.

The department is continuing to explore the option of sending the plutonium to nuclear reactors in Canada, though this has been opposed by Canadian environmentalists.

Some will also be "immobilised" by encasing it in glass or ceramic blocks and placing it in a permanent underground repository.

The department considered and rejected alternatives such as launching the plutonium into space, sinking it in the ocean or retaining it in secure storage. Plutonium, the basic building block of nuclear weapons, stays radioactive for tens of thousands of years.

Keeping the material in storage would be easier and cheaper, but would raise the risk that plutonium could fall into the hands of rogue states or terrorists. The US produced about 98 tons of plutonium before ending production in the late 1980s.

The disposal plan is part of a larger programme to disassemble US nuclear weapons. US defence strategy foresees the maintenance of a reduced nuclear arsenal. Shrinkage of that arsenal raised the issue of what to do with surplus plutonium.

Anti-nuclear activists have opposed burning any of the material as fuel, fearing this could lead to routine commercial use of the substance.

Next election could be make or break for four of five parties, writes **Bernard Simon**

# Canada's opposition fights for its life

Canada's next general election, likely to be called within the next 12 months, is shaping up as a life-or-death struggle for no fewer than four of the five parties in parliament.

Evidence of the high stakes at play has surfaced on several occasions in recent weeks. More than half-a-dozen members of the right-of-centre Reform party, including several of the party's most respected members, have made known their intention not to stand again.

Last week, Mr Michel Gauthier announced his intention to quit as leader of the Bloc Quebecois, the group representing Quebec secessionists in the federal parliament.

"There wasn't the unity of thought and expression [in the BQ] necessary to fight an election," Mr Gauthier said after meeting his caucus.

Meanwhile, the 176 members of the ruling Liberal party, led by Mr Jean Chrétien, the prime minister, are enjoying more support now than when they were elected to the 295-member parliament in October 1993. According to the latest Angus Reid-Southam News poll published yesterday, the Liberals enjoy the support of 47 per cent of decided voters. While this is a fall from 52 per cent in October and from a peak of 68 per cent in February 1995, it is still up from 43 per cent of votes cast three years ago.

However, Mr John Wright, senior vice-president at Angus Reid, cautions that "support for the government is somewhat hollow", reflecting the absence of a credible alternative.

Rumblings of discontent have surfaced in recent months over the slow economic recovery and stubbornly high unemployment rate, which is almost 10 per cent.

The 1993 election sowed the seeds of the present turmoil on the opposition benches by breaking the traditional dominance of Canada's three national parties – the Liberals, the right-of-centre Progressive Conservatives, and the social-democratic New Democrats.

The Tories, who had formed the government for nine years from 1984, were routed, ending up with just two seats in the House of Commons. The NDP won only nine.

The opposition is now dominated by the two young regional parties – the Bloc Quebecois, with 53 seats, and Reform, with 51. (The remaining four seats are held by independents.) All the BQ seats are in Quebec, and all but one of Reform's MPs represent constituencies in the four western provinces.

But neither the BQ nor Reform has had an easy ride. The BQ was moderately effective until its driving force, Mr Lucien Bouchard, left earlier this year to take over as premier of Quebec.

Jean Chrétien: ruling Liberals on a high *Reuter*

Mr Gauthier, who has lasted just nine months in the job, lacks Mr Bouchard's charisma. Mr Bouchard himself has undermined the only unifying plank of his former party's platform by putting deficit-cutting and economic revival ahead of independence.

Many Bloc MPs, who planned to be in Ottawa for just a few years pending secession, are dispirited. Although the BQ remains the most popular federal party in Quebec, the Liberals have narrowed the gap. The BQ also faces the risk of a divisive leadership convention next March.

Reform has failed to broaden its base, and may even have narrowed it. Many of the issues that attracted voters in 1993, such as fiscal discipline and a crackdown on crime, have been appropriated by the Liberals.

According to Mr David Taras, a political scientist at the University of Calgary, "the Liberals have forced Reform even further to the right".

In Alberta, Reform's stronghold, support has dipped to 36 per cent, from 52 per cent in 1993. By contrast, the Liberals' approval rating has climbed from 25 per cent to 43 per cent.

The turmoil in BQ and Reform ranks ought to be good news for the Conservatives and New Democrats.

The Tories have drawn some encouragement from an upbeat policy convention last summer, well-attended fund-raising events, and their victory in provincial elections last month in Prince Edward Island, the smallest of Canada's 10 provinces.

Their biggest asset is Mr Jean Charest, the party's youthful and personable leader. Mr Wright predicts the Tories could end up with 30-40 seats in the next parliament, mainly from Ontario and Atlantic Canada. "Charest's momentum is quite significant," he says.

The risk for the Tories however, is that as in 1993, Reform could draw off enough right-of-centre votes in many constituencies to hand victory to the Liberals.

Mr Taras says "the Tory problem is that they're not concentrated in one region". Another setback on the scale of 1993 could be the party's death knell.

The NDP faces even more daunting odds. Voters show no sign of being excited by the party's platform, especially after fiscal mismanagement in recent years by NDP provincial governments in Ontario and British Columbia. The federal party's new leader, Ms Alexa McDonnough, has disappointed even NDP loyalists by keeping a low profile. She has yet to run for a seat in parliament.

Political observers are unanimous that the political equivalent of a Force Five hurricane will be required to deprive the Liberals of a second five-year mandate.

But predictions of winners and losers among the opposition parties are made with less certainty. All four will enter the next campaign hoping for the best, but fearing the worst.

AMERICAN NEWS DIGEST

## Israel lobby group setback

Opponents of the American-Israel Public Affairs Committee (AIPAC) yesterday hailed a court ruling that could make the pro-Israeli lobby group subject to federal election campaign regulations. The opinion by the US Court of Appeals in Washington reversed a finding by the federal election commission that AIPAC was not a political organisation.

If the commission acts on the ruling, AIPAC will have to make regular reports on its contributions to the election commission and limit them to no more than $1,000 per candidate. In an 8-2 decision yesterday the court said the lobby group qualified under federal law because it gave contributions of more than $1,000.

"This decision is the beginning of the end of the stranglehold that the Israeli lobby has had on US Middle East policy," Mr Richard Curtiss, a former US Information Agency official said. He was one of six individuals whose lawsuit against the election commission led to the ruling. The FEC could appeal against the decision to the US Supreme Court. *Reuter, Washington*

## Uruguay referendum close

The result of a referendum on vital constitutional reforms in Uruguay is so close that absentee ballots may decide the issue, election officials said yesterday.

The ruling coalition formed by the Blanco and Colorado parties together with the Social Democratic Nuevo Espacio, supported the measure. The left-wing coalition Frente Amplio led the opposition.

The reform package would change Uruguay's presidential selection process by limiting parties to a single presidential candidate chosen in primary elections. Presidential elections would have two rounds, the second between the top two vote getters. It would also strengthen presidential powers and modernise Uruguay's election process. *AFP, Montevideo*

## Bank for native Canadians

Mr Jean Chrétien, Canada's prime minister, joined native leaders yesterday for a ceremony in Toronto's financial district at which the charter of the First Nations Bank of Canada was signed. Indian chiefs engaged in the project hope the bank will provide seed money to entrepreneurs, enhancing the strength and diversity of Indian-owned businesses.

Though Canada's Indians and Inuits own an estimated 20,000 businesses, most are small. The new bank is a partnership between Toronto Dominion, Canada's fifth biggest bank, and the federation of Saskatchewan Indian chiefs. Toronto Dominion is investing C$8m (US$5.9m) and the federation C$2m, but 75 per cent of the profits will go to the Indians. *AP, Toronto*

## Poverty surge in Venezuela

The percentage of Venezuelans living below the poverty line surged from 34 per cent to 74 per cent this year, as the second IMF-approved adjustment plan in seven years got under way. A report by the National Economic Council found that a typical family market basket cost $257 a month, while the minimum wage stood at the equivalent of $112 a month. Venezuela was rocked by a wave of rioting and looting in February 1989 that left dozens dead and hundreds injured, followed by two failed military coups that year. *AFP, Caracas*

Major confident of fending off attacks from Eurosceptic backbenchers

# Premier sets out to weather storm

By Robert Peston, Political Editor

Mr John Major, the prime minister, is braced for further attacks from his backbenchers this week over his "wait and see" approach to European economic and monetary union, but he believes he can weather the storm in spite of losing his majority in the House of Commons.

Mr Major has a detailed plan for staying in office until May, exploiting a range of obscure parliamentary devices, even if his stand against his Eurosceptic colleagues persuades more of them to resign the party whip. His majority in the Commons disappeared last week when backbench MP Sir John Gorst said he could no longer co-operate with the government.

Mr Major is set to lose an important vote on the European Union's common fisheries policy next week, preceded on Wednesday by further embarrassing attacks from his backbench colleagues on Emu in a commons debate.

Part of his confidence is based on the discovery of a device for the indefinite postponement of a by-election in Wirral South.

This Conservative seat was made vacant by the death on November 3 of Barry Porter. Under normal procedures, a by-election would be held in February, which Labour would be expected to win.

However, Mr Brian Mawhinney, the Conservative party chairman, has uncovered a convention that by-elections need not take place around the time of the publication of a new electoral register, which is due in February. Allowing several weeks for appeal by electors, Conservative ministers believe that the date for any by-election would then be too close to the general election for it to be held.

Mr Major's business managers have also assured him that it is almost impossible for the government to lose its majority on Commons committees, vital to his ability to legislate.

Under parliamentary rules agreed almost two years ago, any Conservative resigning the whip counts as a government supporter unless they join another political party.

Those most likely to quit are Eurosceptics and on the right. They will not find it easy to take refuge in either the Liberal Democrat or Labour parties.

Mr Major may even threaten to expel unco-operative Conservative MPs, according to a minister. Under party rules, a Conservative MP may not stand for re-election as a Conservative if he or she no longer holds the whip.

Sir John Gorst pitched his defection on Friday in such a way that in a technical sense he still holds the whip. But party managers are warning him that if he were to undermine their legislative programme he would have the whip withdrawn.

Meanwhile, Mrs Teresa Gorman, an anti-European backbencher, paved the way for another showdown with the government when she secured a 10-minute rule bill calling for a referendum on a renegotiation of the UK's relationship with the EU.

David Chaskin

Teresa Gorman and fellow Eurosceptic Sir Teddy Taylor

# Talks fail to close London-Dublin gap

By John Kampfner, Chief Political Correspondent

The British and Irish governments emerged from a four-hour summit in London yesterday as divided as before on the terms for an Irish Republican Army ceasefire, leaving Mr John Bruton, the Irish prime minister, to issue a personal plea for an end to violence.

Although both leaders said they agreed on the basic rules that would allow Sinn Féin, the IRA's political wing, to participate in multi-party talks, they remained far apart on the main point of contention – the time lag needed between a ceasefire declaration and entry to talks.

Mr Bruton said Sinn Féin leaders, "people of ability", had nothing to fear from joining the political process. Their "strength of conviction" would ensure their voices would be heard, in a way that recourse to terrorism had not.

"For the sake of the people of Ireland and of all on these islands I call on them to give us an IRA ceasefire so that all can negotiate their future together free of threat," Mr Bruton said.

In the past, the prime ministers would have papered over differences on detail. But Mr Major appeared to go out of his way to emphasise the disagreement on the timing question.

With his parliamentary majority having disappeared, Mr Major will be more wary of antagonising the Ulster Unionists – the largest pro-British party in Northern Ireland, whose nine MPs may determine the fate of his government – and his own pro-Unionist backbenchers.

Mr Major said republicans had to make their own judgments. He did not believe Sinn Féin could expect suddenly to return to the talks "after having effectively broken their word during that process".

Mr Bruton struck a more emollient tone. "I want Sinn Féin in the talks at the earliest moment," he said.

A senior Irish official said the talks in London had been "neither positive nor negative".

Last month the UK clarified its conditions for a ceasefire, making clear that it needed to be convinced "in words and deeds" that a declaration would be genuine and not tactical.

This was interpreted by nationalists as a hardening of the UK position, increasing fears of further terrorist bombings over Christmas.

Irish newspapers yesterday quoted security officials as saying the IRA had ruled out a truce during the holiday period.

In the Commons, Labour joined government calls for an unequivocal ceasefire during a debate on the decommissioning bill, which establishes the mechanics for the transfer of arms by paramilitary groups.

# Bank staff asked to strike for Christmas

By Andrew Bolger and George Graham

More than 35,000 bank workers are being asked to support a half-day strike on Christmas Eve after being told their branches will not be closing early.

The four main clearing banks all intend to stay open in the afternoon.

Midland and Barclays have reached agreement with unions and staff associations over terms.

But Bifu, the main banking union, has taken exception to decisions by NatWest and Lloyds TSB to remain open until 3.30pm and 4.30pm respectively.

"Bank staff deserve a Christmas break like other workers," said Mr Ed Sweeney, general secretary of Bifu.

"They want time to join their families and enjoy Christmas. Many banks plan to close at lunchtime and there's no evidence of any customer demand to pop into a bank on Christmas Eve afternoon."

Lloyds TSB strongly defended its decision.

"The last time Christmas Eve was a working day was in 1993. Unless you've been in a vacuum-sealed pack since then you can't have failed to notice that times have changed and that there are new competitors," said Ms Geraldine Davies for the bank.

"We don't think Marks and Spencer and Sainsbury's [the retailers] are going to close on Christmas Eve."

NatWest originally told employees it would close in the afternoon, but changed its mind when it became clear that rivals would be open.

"We recognise this is a matter of some concern but every other bank, indeed every other high street retailer, will be opening their doors for business," said Mr Martin Gray, chief executive of NatWest UK.

It is offering an extra day's leave to staff working after 1pm on Christmas Eve and wherever possible will use volunteers.

Mr Gray said: "As an organisation we must remember the commercial realities facing us, and many units have confirmed that a substantial number of customers will be looking for a full banking service on Christmas Eve."

Barclays has given managers discretion to close early if they see no sign of local demand.

The strike ballot results are due next week. In a separate dispute, more than 16,000 Bifu members in Scottish banks are being balloted over their traditional January 2 holiday.

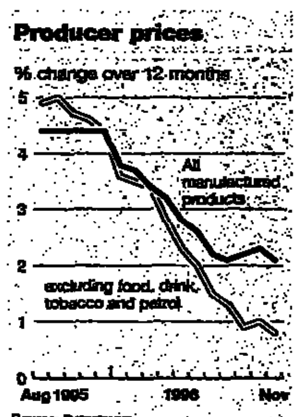
# Rate rise less likely after fuel costs fall

By Robert Chote

Industry's fuel and raw materials costs recorded their biggest one-month fall in 11 years in November, handing the chancellor of the exchequer ammunition with which to resist a rise in interest rates at his meeting tomorrow with the governor of the Bank of England.

The British Retail Consortium meanwhile poured cold water on predictions of a Christmas consumer boom. Its latest survey showed the value of high street spending rising at its lowest rate for seven months in the year to November.

"Whilst the outlook for Christmas remains reasonable... we are not in boom-time conditions," said Mr Andrew Higginson, chairman of the consortium's economic affairs committee. The cash value of high street spending rose 4.9 per cent in the year to November, down from 5.9 per cent in the year to October.




Expectations of an early interest rate increase receded a little on the financial futures market, but dealers still expect rates to rise again soon.

City economists believe Mr Kenneth Clarke, the chancellor, is unlikely to accede to any request for higher rates tomorrow from Mr Eddie George, the governor of the Bank. But Mr Clarke caught them by surprise when he raised rates last in October.

After adjusting for the rise in electricity costs which is normal for the time of year, manufacturers' input prices fell by 3.2 per cent in November, according to the Office for National Statistics. This was the biggest fall since April 1985 and bigger than City economists expected.

Excluding the food, drink, tobacco and petrol industries, manufacturers raised the prices they charge their customers by 0.8 per cent in the year to November. This was the smallest annual increase in nearly 30 years.

The cost of imported raw materials was reduced by the pound's 4.3 per cent rise between October and November. This contributed to falls in sterling prices for a wide range of commodities last month, including 6.9 per cent for oil, 3.1 per cent for imported food and 3.5 per cent for metals.

Input prices as a whole are now 5.5 per cent lower than they were 12 months ago, the biggest fall since December 1986. Excluding the volatile food, drink and tobacco sectors, the annual decline was 7.2 per cent.

"The rise in sterling has come through dramatically and rapidly, suggesting that prices remain under intense pressure," said Mr Simon Briscoe, economist at Nikko Europe.

Manufacturers left output prices unchanged in November, giving a 2.1 per cent increase over the year.



# Final dash for sports academy bid runners

The government is expected to announce this week a shortlist of candidates to run the new National Academy of Sport with the help of £100m ($164m) from National Lottery funds.

Although the Department of National Heritage, which is making the decision, has remained tight-lipped about the bidding process, it is likely to cut down the 26 bidders to about half a dozen. It will also announce appointment of independent consultants for technical evaluation of the shortlisted bids, which is expected to take about two months.

It is possible that rather than select a single bidder, the government will seek a combination of the best elements of different bids. The final selection of a winner will be made by Mr Iain Sproat, the sports minister, and the recently formed UK Sports Council.

After rejecting the initial idea of a single institution covering all sports housed on a new greenfield site, the government wants the academy and its training, coaching, medical, scientific analysis and residential facilities to be the hub of a national network of satellite centres specialising in individual sports.

The announcement of the winner or winners will come probably in late January. After several years of prevarication by the government, the final decision is being taken in apparent haste for one main reason: politics. The National Sports Academy is a pet project of Mr John Major, the prime minister, and he wants to see the ambitious plan for the rejuvenation of British sport unveiled before the general election, which must be held by May at the latest.

## Government may seek a combination of different schemes

Although some of the bidders may be dismayed by the thought of the academy being used for political ends, others believe sport should make the most of it. "There is a clear political agenda in favour of sport at the moment, and we should enjoy it while it lasts," said a senior sports figure involved in one of the bids.

The representative of another bidder pointed out that his group's proposal covered an area that included several key marginal seats held by MPs from the ruling Conservative party.

In the absence of feedback from the national heritage department it is not clear which groups are favoured to make the shortlist.

However, a consensus appears to be emerging that the following bidding groups stand a good chance of progressing into the final round:

- The Central Consortium, which plans to build a centre around existing facilities in the eastern English Midlands. This would include Lilleshall school, run by the Football Association, English soccer's governing body.
- The British Olympic Association-backed bid to build a centre on the 58ha site of the former US Air Force base at Upper Heyford near Oxford, 80km north-west of London, with help from the private sector and Oxford University.
- A bid centred on Birmingham, England's second-largest city, and the west Midlands. This is led by Lord Howell, a former sports minister, and proposes using a greenfield site on the southern edge of the city as the main headquarters.
- The so-called "athletes' bid" to develop an Olympic village-type centre in Hatfield, 30km north of London.
- The consortium based in the northern city of Manchester which is already bidding for the new national sports stadium wants to build on a 58ha site.
- Another bid wants to put the academy in the Bath, 160km west of London, and utilise the town's university and its famous rugby union club.
- There are also bids centred around the northern cities of Sheffield – to be based around facilities which were used for the world student games – and Liverpool.

Patrick Harverson

UK NEWS DIGEST

# Labour threat on water profits

The opposition Labour party yesterday confirmed it may force privatised water companies to share future "excess profits" with consumers, in additional to its plans to impose a windfall tax on past profits. Mr Frank Dobson, environment spokesman, said Labour was considering a new pricing rule under which consumers would get a rebate if water companies made profits above what was considered normal.

"Labour is not prepared to see soaring profits being made on the back of falling investment and inflated bills for customers," he said. The new pricing rule was proposed earlier this year by Mrs Margaret Beckett, trade spokesman, in relation to other utilities, including British Telecommunications, British Gas and the electricity companies.

Meanwhile, the water services regulator Ofwat yesterday attacked the government for not bringing forward early legislation requiring companies to pay compensation to customers forced to use standpipes in a drought. Reflecting concern that the legislation will not get through parliament before a general election, Mr Ian Byatt, the director-general of Ofwat, welcomed moves by individual companies to promise such compensation in advance of a new law. *George Parker*

■ TELECOMMUNICATIONS

## Increased flexibility for BT

Mr Don Cruickshank, director general of the Office of Telecommunications, is proposing to give British Telecommunications greater flexibility to set its own wholesale prices, removing about 60 per cent of its interconnection revenues from regulatory control. Oftel's proposals were published yesterday as part of an extended consultation process which will lead to the introduction of new charging arrangements from August 1997.

Interconnection charges are those which operators pay BT – the only UK operator with a comprehensive national network – to collect or deliver their calls. The payments can amount to a significant proportion of an operator's revenues. BT said yesterday the Oftel document contained no surprises but it was studying the details before commenting in depth. Mr Chris Weston, strategy director for Mercury Communications, BT's principal UK rival, welcomed the document as "an important step on the road to driving down interconnection costs". *Alan Cane*

■ SCOTLAND

## U-turn over development funding

Scottish Enterprise, the development body for Scotland is to have most of a £37m ($60m) cut in this year's budget reinstated next financial year by Mr Michael Forsyth, the Scottish secretary. The reduction in the budget of the body, which funds the local enterprise network and Locate in Scotland, the inward investment agency, attracted strong criticism when Mr Forsyth made it last year.

Announcing the Scottish Office's spending plans for 1997-98 yesterday, he said Scottish Enterprise's budget would be £464m, up £20m or 4 per cent on the current year. It would also receive an extra £10m to accommodate large inward investment projects from Taiwan and South Korea. Highlands and Islands Enterprise, which operates in the north of Scotland, will have its budget increased by 2 per cent in real terms. Last year it was cut.

● Manufactured exports from Scotland increased faster than those of the UK as a whole in 1995. They reached £17.32bn ($28.37bn), a rise of 20.3 per cent compared with the UK's rise of 15.5 per cent. At constant prices Scottish exports grew by 12.9 per cent compared with the UK's 8.3 per cent. *James Buxton*

■ ROYAL FAMILY

## Bill to tackle 'sexist' succession

Lord Archer of Weston-super-Mare – the author Mr Jeffrey Archer – takes the first steps today to introduce his bill to remove sex discrimination from the royal line of succession. His measure would ensure that if Prince William's first child was a daughter, she would become queen even if she had a younger brother. But it is sure to face resistance in the House of Lords, where many hereditary peers only hold their own seats because they are male. Lord Archer, a former MP in the ruling Conservative party, argued that the strength of his bill was that nothing would happen in practice for 50 or 60 years, until one of Prince William's children succeeded him.

■ TELEVISION

## Channel 4 in deal with Warner

The Channel 4 television station has struck its biggest ever programme acquisition deal with Warner Brothers, a deal which means it will retain the rights to hit shows such as *ER* and *Friends* until 2001. Industry speculation last night said the total package, which includes features films and other comedy shows, could cost Channel 4 as much as $100m although the channel declined to confirm a figure. Channel 4 insisted that the package would be paid for out of the channel's acquisition budget and money would not be diverted from British-made programming. *Raymond Snoddy*

■ TRAINING

## 'University for industry' unveiled

A model for a Labour government's much-promised "university for industry" catering for small businesses, those returning to work and the young unemployed will be unveiled today by the Institute for Public Policy Research, a leftwing think-tank with close links to the opposition party.

According to the institute's blueprint, the institution would be "more than a web of wires". As a "national learning network", it would not only promote the exploitation of the latest information technologies, but also serve as "a marketmaker" bringing learners into contact with providers, learning materials, courses and support services. *Simon Targett*

■ HEALTH

## Opposition plan 'backed by study'

A study which shows that relatively few family doctors have proved genuine innovators since the government's reforms to the state health service in 1991 provides support for the opposition Labour party's plans, a leading academic said yesterday. The study was funded by the Economic and Social Research Council. Cost-saving among the 900 doctors interviewed has been widespread. But among "fundholders", doctors with their own budgets with which they buy hospital care, only 38 per cent could be classed as entrepreneurs – those who had introduced a wide range of new patient services.

Professor Peter Taylor-Goodby, director of the ESRC's beliefs and behaviour programme, said: "What Labour is proposing is to put [doctors] into much larger groups ... That could produce a situation where those who are seriously interested in using the opportunities open to them do so, and then pass on the gains they have made to other [doctors]."

● Although more than half the population feel they should contribute to the cost of care in their old age, just 6 per cent say they are prepared to take out long-term care insurance, a study has found. *Nicholas Timmins*

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## TECHNOLOGY

Novel contours would add value to drinks cans but there are production challenges, says **John Nutting**

# The shape of tins to come

The drinks can is the unsung hero of the packaging world. In the 30 years since it was launched more than 2,000bn have been made worldwide, and the latest manufacturing techniques can produce more than 2,000 a minute.

For the customer, it means that fresh, cold drinks retain their fizz almost indefinitely in a pack whose design is as demanding as an aircraft's wing. But developments are under way which could change the appearance of the familiar canisters with their convenient pull tabs.

The technique of converting aluminium or tinplate sheet (steel coated with an ultra-thin layer of tin) into cans is very sophisticated. In the US – the world's biggest market, making 100bn a year – the side-wall is just four thousandths of an inch thick, yet the can must support a load of more than 200lb during filling and putting the top on (seaming).

Tinplate cans – which form half of all those used for beer and soft drinks in Europe – have 30 per cent thinner walls yet are even stronger.

The drive for cost reductions from the leading drinks companies – Coca-Cola used almost 30 per cent of the 190bn cans made last year – has cut the weight of the average aluminium can by more than two-thirds from 18g to less than 11g.

It may not sound much, but it means the US industry, for instance, has saved more than 6m tons of aluminium in the past three decades.

For the consumer, the most significant recent change has been the switch to narrower ends, which were also expected to bring big cost savings.

Until recently low cost has been the can's Achilles heel. Battle lines have been drawn between canmakers and the main drinks companies as demands for lower prices squeezed margins. With price as the sole criterion for bargaining – it ranges between $60 and $120 per 1,000 cans depending on where they are made – the can had become a commodity in the US.

**A virtual reality system that gives packaging designers and fillers a chance to see what their products will look like on the supermarket shelf – without having to produce expensive physical models – has been launched by UK-based VR Solutions, Andrew Baxter writes.**

**The system was designed for British Steel Tinplate, which was looking for a way to "build" three prototype steel cans in a virtual environment. The designs can then be viewed and changed by customers on any Intel-based PC or workstation. Previous systems would have required high-end workstations.**

**Products can be displayed in a virtual warehouse or supermarket, helping the packaging chain deal with issues such as labelling, stackability, shelf impact and feasibility of a particular design without the packaging ever having physically existed.**

But in March this year Coca-Cola surprised canmakers when George Gourlay, one of its top executives, announced that it wanted to "bury the idea that it was a low-cost producer" and explore the use of shaped cans as a means of "adding value" to its drinks.

The move followed the roaring success in 1994 of Coke's 20oz PET plastic bottles shaped like the distinctive contour glass bottles, first launched in 1916 and registered as a US trademark in 1977.

A prototype shaped steel can developed by Coke was test marketed in Germany and south-east Asia in 1994 and 1995. It was based on technology that has been used for making reformed or shaped food and beer cans for more than a decade.

Gourlay, manager of Coke's technical operations division, told packaging industry executives at a conference: "We believe that a contour aluminium can is feasible from a technical perspective. We believe we could be in the marketplace with a contoured can by the year's end."

The Coke executive explained that new types of containers were a means of adding value to the product and differentiating the company from the opposition.

"We forgot the idea of packaging as a marketing tool and as a result we created sameness and we became boring," he said.

Since then there has been a mixed response. Already stung by Coke's demands for cost cutting in previous years, the canmaking industry was not keen to invest up to $1m in new equipment for an untried idea, despite assurances that Coke would market the product effectively for increased sales.

There is nothing much new in the technology of making shaped cans. A variety of techniques, including high-pressure air, hydraulics, explosives and mechanical systems have been used to make shaped food cans in a number of markets. The difference with drinks cans is that they are much lighter and therefore more delicate, and the production processes are much faster.

Companies such as Crown Cork & Seal of the US, the biggest canmaking company in the world, France's Pechiney, the biggest maker of drinks cans worldwide, and Alcoa, the world's biggest aluminium supplier, have all come up with proposals for high-speed manufacturing of contour cans. They see it as a matter of survival, even though such cans might form only a small sector of the overall market.

But problems in the development of the contour technology have been greater than expected.

Robert Miles, Continental Can UK's market manager, says: "People have made progress with this but they hit problems that they had not expected. They got so far down the line with aluminium cans and then found that the cans did not have the right axial strength and collapsed in the filling and seaming processes."

It is likely that a steel contour can could provide a stronger answer. Sollac, the French steel company that is part of Usinor Sacilor, has shown Coke its prototypes of cans using special steels designed for reforming, but will not talk about them. These low-carbon steels are ductile for forming, yet harden during manufacturing so they can resist the rigours of filling and distribution.

In any case, the traditional drinks can is unlikely to be transformed overnight. Investment in manufacturing facilities in the more than 250 plants worldwide will as ever be directed toward high productivity and material cost reduction.

And there are other ways of transforming the look of the drinks can which will be much easier to deliver to the consumer than the contour can – and many regard that as being at least a year away.

Alcoa's packaging division, for example, is working on a technique for embossing the walls of the can with a pattern that is registered to the printed graphics. Test marketing is expected in the US early next year.

The easy-open lid, the most expensive and demanding component of the can to manufacture, is being further developed. The familiar stay-on tab has become an industry standard since 1978 when it began to oust the less ecologically friendly ring-pull, and has so far resisted all challengers.

The latest developments of this are versions with larger pour openings being used by Coors, the US brewer, and a spout-type called the Touch Top from Ball, a US-based packaging company.

*The writer is editor of The Canmaker, a monthly international trade magazine.*

Bring back the bulge: the contours emulate Coke's distinctive bottles

# Virtual couture

## Vanessa Houlder on cutting waste in fashion design

**Fashion design is often a hit-or-miss affair. The vast majority of ideas are rejected before they reach the stores.**

**Cutting down the waste in the design process is one of the aims of a "virtual reality fashion design studio", a project that forms part of the Virtuosi research programme, which is sponsored by the UK's Department of Trade and Industry. It aims to demonstrate how virtual reality can improve business communications.**

**The £3m Virtuosi project is the work of BT, Division, BICC Group, GPT and the Universities of Nottingham, Nottingham Trent, Lancaster and Manchester, with additional support from Nottinghamshire County Council.**

**The goal of the virtual reality fashion design studio is to allow people in different locations to share a three-dimensional view of a garment and collaborate in its design. It uses a digital network to link two or three participants who use a headset or monitor, with a mouse, to move around within a virtual studio, containing patterns, fabrics and a mannequin.**

**While discussing the design over a video link, the participants – typically a designer and a buyer – can experiment with changes to fabric, cut and length by clicking on a mouse. The garment is "worn" on screen by a mannequin, which can be made to move using voice commands such as "face me" or "raise your arm".**

**One of the main limitations is that virtual design cannot convey the tactile quality of the cloth. However, its champions argue that it is an advance on paper representations because it can model the drape and movement.**

**Stephen Gray, a professor in the department of fashion and textiles at Nottingham Trent University, is convinced that the virtual design studio could become commercially viable within a few years. He also believes the technology is applicable to other industries, such as architecture, retail and stage design.**

**In the case of fashion design, Gray believes there could be a strong commercial case for using virtual reality to facilitate more collaboration between suppliers and retailers. "If we can reduce the number of samples by half by involving buyers in the design process, there would be economic dividends," he says.**

**He acknowledges, however, that interest in the technology would depend on increased commitment to collaborative working between designer, manufacturer and retailer: "The technology will enable you to do things but a cultural change is necessary to capitalise on the technology."**

**In a related application of this technology, Nottingham Trent University is working on virtual reality catalogues for mail order companies. Customers would be able to dial into the catalogue and see different garments on a three-dimensional mannequin representing their size and shape.**

**An individual's measurements could be taken using another innovative technology: an electronic measuring booth, designed by Telmat of France. The Telmat booth, located at the International Clothing Centre just north of Nottingham, uses a digital camera to capture an individual's silhouette. Within seconds, it is translated by software designed at Nottingham Trent University into 50 or more dimensions that can be stored on a database or smart card. The booth also takes account of the impact of posture.**

**This measurement technique could cut the costs of bespoke tailoring to just 10 per cent more than mass-produced garments, say its researchers.**

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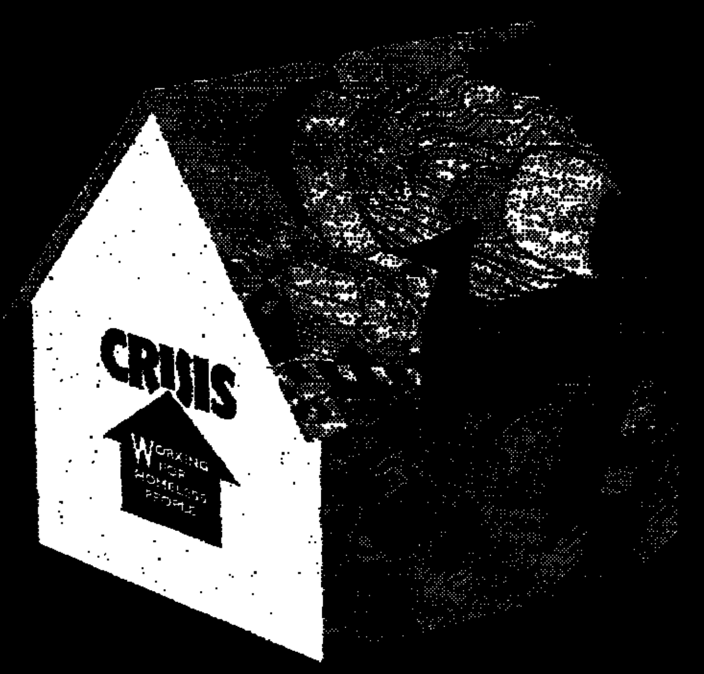


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## ... together we accepted the Crisis Christmas Challenge

In September the homelessness charity Crisis issued a challenge to the corporate sector: Are you brave enough to give all, or part, of your Christmas card budget to help keep 4,000 homeless people safe and warm this Christmas?

The firms and companies listed above all decided to accept the challenge and help bring homeless people in from the cold. Some chose to use this page to send seasonal greetings to their clients. Others chose to print their own cards. And some simply sent postcards. But they all found innovative ways of using their Christmas card budgets to help homeless people.

Their donations will make an immediate difference to Crisis' work – both in London and nationwide – during Christmas and into the New Year. All these companies, their employees, clients and shareholders can rest assured that this Christmas their generosity has brightened up the lives of thousands of homeless people.

**If your company is not listed above, it's not too late to help homeless people this Christmas. Call Liz Markus on 0171 377 0489**

*This space has been donated by the Financial Times*

CRISIS
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# LAW

# No bar to drug imports

EUROPEAN COURT

Patent-holders cannot block the importation of pharmaceutical products from one European Union member state into another when the products have been lawfully placed on the market of the first member state by or with the consent of the patent-holder, the European Court of Justice ruled last week.

The court said patent-holders could not block such imports even when the products did not benefit from patent protection in the first member state.

Merck and Beecham had brought a patent infringement action in the English Patents Court against certain parallel importers which had imported various products, for which the pharmaceutical companies held patents, from Spain and Portugal into the UK.

In referring the case to Luxembourg, the English court explained that prices in Spain and Portugal for pharmaceutical products were lower than elsewhere in the EU and when the products were sold by the patent-holders to wholesalers in those countries they were exported rather than sold in the domestic market.

The crucial point raised by the case was whether the Treaty of Rome provisions on the free movement of goods precluded national rules that granted patent-holders of pharmaceutical products the right to oppose importation by a third party of those products from another member state in circumstances where the holder had put the product on the market in that member state, after its accession to the EU, but before the product could be protected by patent there.

Although the issue had been decided 15 years earlier by the European court in *Merck v Stephar*, the companies argued that the court should depart from its earlier case law.

In *Stephar*, the court ruled that a patent-holder could not invoke a patent held in one member state in order to prevent the importation of a product freely marketed by it in another member state, even where that state did not provide patent protection under its national law. It said such action would cause partitioning of national markets, contrary to the aims of the EU.

The court dismissed the various reasons put forward by the pharmaceutical companies for overruling its earlier judgment in *Stephar*. The court said that if the patent-holder, assignee or licensee were able to prohibit the importation of products marketed in another member state by or with its consent, such action would partition national markets and restrict trade.

The court further ruled that *Stephar* was not incompatible with later case law of the court. This case law could be distinguished on the grounds that it related to the granting of compulsory licences. In such circumstances, it could not be said that the patentee had consented freely to the licensing operations and therefore it was entitled to oppose importation of products made by the holder of the compulsory licence.

It followed that where a patentee was bound under national or European law to market its products in a given member state, it could not be deemed, for the purpose of the *Stephar* ruling, to have given its consent to the marketing of the product.

It was for the patentee to prove before the national courts that there was a legal obligation to market the product in the exporting member state. Ethical considerations, such as the need to satisfy the requirements of domestic patients, were not sufficient to justify protective action by patentees.

*C-267/95 and C-268/95: Merck & Co Inc and Others v Primecrown and Others; Beecham Group plc v Europharm of Worthing Ltd, ECJ FC, December 5 1996.*

BRICK COURT CHAMBERS, BRUSSELS

# INTERNATIONAL PEOPLE

## Merrill's new operating officer

Herb Allison has been appointed the new chief operating officer of Merrill Lynch, the US investment bank and brokerage, with effect from April 15 1997.

It is a move that has been widely anticipated, as the company fills the gaps left by the planned retirement of Dan Tully next year. David Komansky, the current chief operating officer, is due to take over from Tully as chief executive officer and chairman; this change was itself announced last month.

Allison, a 25-year veteran of the firm, has spent his career in the investment banking side of the business, rather than the firm's traditional brokerage business. The fact that Komansky has also come from investment banking underlines the company's shift away from its brokerage roots.

Allison, 53, has been head of Merrill's corporate and institutional client group, which includes investment banking, debt and equity markets worldwide, since January 1995.

He headed the investment banking group from 1993 to 1995 and served as chief financial officer from 1990 to 1993.

Merrill also announced the appointment of John Steffens as vice chairman of the board. Stehen Hammerman continues as vice chairman of the board, a position he has held since 1992.

*Tracy Corrigan, New York*

## HK exchange chief

Alec Tsui, who as chief executive will guide the Hong Kong Stock Exchange when the territory reverts to Chinese sovereignity next year, is broadly seen as the safe option.

He has a reputation for being a steady operator, one who has already served in both the exchange itself and the Securities and Futures Commission, the industry regulator.

His appointment, which takes effect from February, ends an exhaustive search both outside and within the exchange. Tsui's credentials marry regulatory experience with time spent in the private sector, and he is seen as both straightforward and clear thinking.

Most of Tsui's career has been spent in the back office, including management consultancy with Arthur Andersen, data processing with Swire Bottlers, and systems roles at both China Light and Power, the territory's dominant electricity supplier, and the SFC.

But Tsui, 47, has enjoyed anything but a plodding career. He was promoted to his present position as deputy chief executive less than a year ago, after just two years with the exchange as executive director of finance and operation services. He previously spent four years at the SFC, after eight years' rising up the ranks at China Light and Power.

The chances are that in his new role Tsui will be obliged to step out of the shadows. He takes responsibility for what is Asia's second biggest stock market (after Japan) through a momentous time, when China is resuming sovereignty of Hong Kong – which could put a political slant on his position.

Moreover, the exchange itself is at a turning point, with some practitioners calling for demutualisation.

*Louise Lucas, Hong Kong*

## Gates promotes two

Bill Gates continued to reshuffle the top management of Microsoft last week, when the chairman of the world's largest software company replaced a six-member "office of the president" with a new eight-man "executive committee".

The additions are Jim Allchin and Brad Silverberg, each of whom was given expanded responsibilities for Microsoft's product development groups in an earlier reorganisation, in late October. They now join the software company's top decision-making body. Silverberg is in charge of Microsoft's top-selling suite of office applications programs. Allchin's responsibilities include the Windows PC operating system.

While financial analysts welcomed news of the latest management changes, some observers see recent moves as a bid to shore up Microsoft's defences against mounting competition, particularly in the office applications sector.

*Louise Kehoe, San Francisco*

## Daiei appointment

Tadasu Toba, former president and current vice-chairman of Ajinomoto, a leading maker of processed food and seasonings, has joined Daiei, Japan's largest retail chain operator, as an adviser with a special brief to strengthen its foreign operations.

Toba's appointment is seen partly as a reflection of intensifying competition in the medium-range chain store market, and partly as a response by Daiei to internal management problems and falling earnings outlook. Toba is also regarded as a candidate in the company's forthcoming change in top management.

He established his reputation as one of the food industry's most experienced executives through his long career with Ajinomoto, where he began in 1955 and took over the presidency in 1989.

In 1994, as president of Ajinomoto, Toba negotiated a broad agreement with Daiei to co-operate in various fields, including development and distribution of low-cost food items and other products. The agreement expanded a supermarket price war launched by Daiei in the early 1990s with the introduction of generic products.

Toba is likely to focus initially on Daiei's overseas network of factories and subsidiaries. He is expected to be appointed a director of Daiei at the company's shareholders' meeting in late May.

*Gwen Robinson, Tokyo*

## ON THE MOVE

■ John Ewing, 56, succeeds Leonard Chuderwicz as president of USS POSCO, California's largest steel producer, which is a partnership between USX Corporation and Pohang Iron & Steel of Korea. Chuderwicz, 48, moves to Ohio as president of USS/KOBE Steel, a US/Japanese joint venture, where Ralph Fifield is retiring.

■ David Holmes has resigned from the board of HERCULES, the US speciality chemicals producer, which he joined this September, pleading increasing demands on his time from his role as chairman, president and chief executive of Reynolds and Reynolds.

■ Mary Lou Kromer, 43, rises to vice-president of communications and investor relations for W.R. GRACE, the US-based packaging and speciality chemicals group. Kromer, previously vice-president of communications, takes on the investor relations role previously filled by Peter Martin, 59, who is retiring.

■ Ira Herenstein becomes senior vice-president – marketing for PRIMARK CORPORATION. He was previously managing director of Datastream International, Primark's US financial information and technology company.

■ BRISTOL-MYERS SQUIBB, the US pharmaceutical group, is reorganising executive responsibilities on the retirement next June of executive vice-president Michael Autera. Kenneth Weg will be president of a new worldwide medicines group. Peter Dolan becomes president of a new nutritional and medical devices group. And Stephen Sadove becomes president of the worldwide beauty care group, announced in September.

■ Rosanna Wong Yick-Ming, chairman of the Hong Kong Housing Authority and executive director of the Hong Kong Federation of Youth Groups, has been appointed a non-executive director of HONGKONG AND SHANGHAI BANKING CORPORATION.

■ Pirkko Alitalo, Matti Jarventie and Tauno Matomaki join the board of Finnish media group AAMULEHTI on January 1. Olli Parola is retiring from the board.

■ Pierre Tersinet, 49, joins the industrial relations division of French Insurance Group AGF as general secretary.

■ Daniel Stone has been appointed managing director of ABN AMRO HOARE GOVETT CANADA and will be responsible for fixed income trading. He previously worked for Burns Fry for 15 years.

■ James Blanchard, the former US Ambassador to Canada and Governor of Michigan, joins the board of BRASCAN, the Canadian holding company.

■ Manuel Garcia Garcia has been appointed general manager of TELEFONICA DEL PERU. He takes over from Rafael Hernandez Garcia, who remains president of the board. Garcia, previously corporate general manager, worked for Telefonica de Espana and Banco Santander before joining the Peruvian Telecoms group, which is majority-owned by Telefonica de Espana after its $2bn privatisation in 1994.

■ Erwin Zimmermann joins the executive board of Swiss re-insurer SWISS RE, as deputy head of the alternative risk transfer division led by Walter Kielholz. Zimmermann, who joins the board on January 1, has been head of run-off and risk services at Swiss Re since August 1995.

■ Jan de Kreij, group controller of Shell, joins the executive committee of ROBECO, the Dutch fund management group, on May 1. He will become a director (and vice-chairman) of Rodamco on July 1, and vice-chairman of the Robeco executive committee. He succeeds J. Kremers, who is retiring.

■ M.R.R. Nair has resigned as chairman of the STEEL AUTHORITY OF INDIA. Shri Prasad, financial adviser to the ministry of steel and mines, takes over as acting chairman. P.N. Singh has retired as director of personnel.

■ William Ruehle will resign as chief financial officer of BAY NETWORKS as soon as a successor is appointed.

■ David Burner, president of BF GOODRICH, the US chemicals group, takes the additional title of chief executive, succeeding John Ong, who will continue as chairman until his retirement on July 1. Ong will also resign as a director when he retires. The board size currently stands at 15.

■ David Harmer is stepping down as vice-president and chief financial officer of ARMCO, the US steel group, from December 31. A successor has not yet been named.

■ DEAN FOODS, the US food company, has appointed Philip Marineau as president and chief operating officer.

■ Toshiaki Ikoma has been appointed a president of TEXAS INSTRUMENTS JAPAN, succeeding Sachio Nagae. Ikoma was previously a president of TI's research and development centre in Tsukuba.

■ Bulgaria's finance ministry has replaced the board of the debt-ridden BALKAN AIRLINES in a bid to stabilise the state carrier's finances. Valeri Doganov, the airline's executive director in 1994, will manage the company.

■ Earl Joudrie, chairman of AT&T Canada Long Distance Services, has resigned along with Charles Winograd, a director. Successors have not yet been named by the company.

■ Suchartchandra Pravitra, 59, president of GENERAL FINANCE & SECURITIES, one of Thailand's leading brokerage concerns, has been appointed the new chairman of the company. He succeeds Narongchad Akrasanee, who has joined the government as commerce minister.

■ NEC CORPORATION of Japan has announced the death of its chairman emeritus, Koji Kobayashi. He joined NEC in 1929, was appointed president in 1964, then chairman in 1976. He stepped down in 1988, remaining as emeritus chairman.

■ Two new managing directors have been named at NEDSHIP BANK, to work alongside current managing director Ben Rosenmiller, as the bank's new senior management team. Reinier Mesritz is leaving to head US investment banking activities at Rabobank, Nedship's parent.

■ Claire Dreyfus-Cloarec succeeds Albert Atlanic as director of financial operations at SNCF, the French national railway. She she was at Air France before becoming managing director of Servair in 1993.

**International appointments**

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JAN 60 150

ARTS

# Picasso and his women

The full and absorbing study of Picasso as a portrait painter, shown at the Museum of Modern Art in New York last summer, is now in Paris, opening out yet another aspect of that extraordinary life's work. While Picasso lived, his very celebrity inhibited the closest inquiry into his life; but since his death in 1973 at the age of 92, every serious biography has taken us closer to the man to reveal a complex and not always pretty picture.

There is a sense in which all true art is autobiography, for the artist has only his own experience by which to try to come to terms with reality. The trick is to make the work available for us to make sense of for ourselves. It is a question of emphasis, distance. Too close, and the personal content becomes a limitation and a bore: too remote, and it is but an academic exercise.

With Picasso's portraits, we could not have the problem set out and resolved in plainer terms. The show opens and closes with self-portraits: there is no more direct a way for the artist to place himself at the centre of his work. The youthful Picasso playfully sets a peruque upon his head in an image fresh and confident in its academicism. The old man, gaunt and terrible at 91, bleakly confronts mortality. In between there are his friends and, repeatedly, himself, and above all, there are his women.

This show is set quite deliberately upon the framework of Picasso's successive relationships with women, his models, mistresses and muses whom he used, tired of and discarded as he moved on to the next. Some, like Fernande Olivier before the great war, or Marie-Thérèse Walter and then Dora Maar in the 1930s, '30s and '40s, he would all but destroy. Of Dora, who was the subject both of some of the most hauntingly beautiful and most frightfully distorted portraits in all the canon, he said he could never see her without feeling her to be on the verge of tears. Her photographs evince an exquisite and natural melancholy: but we cannot but wonder.

The pattern repeats itself. The portraits early in a relationship are closely and tenderly observed with the easy discipline and finesse that underwrote all Picasso's work. Then by degrees the images grow more disturbed, violent, grotesque. Even an element of fear creeps in, that seems to be an actual horror of the essential female. The teeth of a Dora or Marie-Thérèse now gape and rattle like a man-trap in the skull. We cannot doubt that Francis Bacon knew these images.

Friends' wives and women do rather better, though whether by posing no threat or no opportunity, who can say – Sara Murphy in the 1920s; Nusch Eluard in the 1930s and '40s. With them, at least, the tender interest remains. Some of his own women, like Françoise Gilot in the 1940s, stand up to him, to escape more or less unscathed. The last wife, Jacqueline Roque, who succeeded Françoise in the early 1950s, evidently managed him firmly enough through his last 20 years.

An ambiguous reversal becomes apparent in this later work. It is the artist who grows distorted and grotesque, monkey-like and impotent voyeur; the model remains perfect in her beauty. And we realise perhaps that it was ever so, even in the artist as a younger man. That strange etching, "Minotauromachie" of the mid-1930s, on show with early prints at the Musée Picasso, has Marie-Thérèse as a torero lying exposed and dead, torn by the Minotaur-Picasso whom she has so tormented, while a younger Marie-Thérèse holds high a candle to lead the suffering beast out of the maze. In other images, a Minotaur caresses a sleeping woman; lifts the sheet from her bed; kisses again that girl-torero. Just so, an early water-colour (1904) has Picasso contemplating the sleeping Fernande.

But though the artist sets himself at the centre of the work, it is not yet self-obsessed. With all his modernism, we tend to forget how deeply rooted Picasso was in symbolism, and here his use of myth and symbol, universally acknowledged and understood in all their ambiguities, effectively removes his work to a level of more general relevance and acceptance. We recognise Picasso in it, but we make sense of it not for him but for ourselves.

And we are thrown back onto the painting as painting. There is no comfort here for those who, even now, hold Picasso to be an incompetent technician and cynical opportunist. For, in the consistency of his preoccupations and the recurring cycle of his address, we find a complementary return to fundamental disciplines and practice. We follow their exploitation, development and expressive variation, and so back again. We look at that line in the drawing, so taut, nervous, exactly descriptive. We look at the paint on the surface, laid on now with such decorative certainty, now with such exploratory delicacy and intuition.

Picasso's sister Lola, high-coiffed, young and handsome, stares boldly back at us across the century. Here is his dancer-wife, Olga Khokhlova, in 1923, as monumental as a rock. Nusch Eluard in 1941, half-length and naked, is as delicate and fragile a realisation, and as beautiful, as anything he ever did.

**William Packer**

Picasso and the Portrait: Galeries nationales du Grand Palais, Paris until January 20; sponsored by LVMH and Guerlain. Picasso – Gravures 1900-1942: Musée Picasso until January 20.

Dora Maar, 1936, by Picasso: subject of both the most hauntingly beautiful and frightfully distorted portraits

Opera

# A fine Siegmund from Domingo

The Royal Opera will have done very nicely out of its one-off *Die Walküre* last Friday: every stalls seat sold at £250, front-of-grand-tier at £275 – and great economies achieved on rehearsal-time too, as one heard. As one also hears, 200 Britons become *nouveaux* millionaires every week now; so that's all right, then.

The opportunity was provided by Plácido Domingo's 25th anniversary as a regular visitor to Covent Garden, but never until last week in a Wagnerian role. (Elsewhere he has performed Lohengrin, Parsifal and Siegmund, and recorded Tannhäuser.) It was convenient to bring back *Die Walküre*, last seen only weeks ago, surround Domingo with singers already inured to the Richard Jones production, and let the great tenor get on with it.

The fine original conductor Bernard Haitink, however, was not part of the package. It was left to Simone Young to do what she could in the circumstances. There were grave failures of rapport between her and the singers, and much orchestral disarray as far as the prelude to Act 2; but thereafter things improved rapidly. Miss Young *does* know how the score goes (though her slow paragraphs always lacked tension). With first-class voices giving of their best, and the staging much tidied and sharpened since first time round, many millionaires would have thought £275 per head well spent.

Domingo slotted himself into Jones's quirky staging with dignity, and from his opening phrase – elegant, musical, suffused with feeling and levered upon what seemed a single breath – we knew we were hearing a foreign Siegmund of great distinction. His German address was not idiomatic: endings in "-en" were oddly bright ("ras-*ten*", "hel-*fen*", "umfang-*en*"). In rapid syllables – all those consonants! – his line faltered, and "ee"-vowels on upper notes sounded constricted. But why quibble, when Domingo had so much artistry to spare?

The *sense* of every line was exactly felt and transmitted. He is good at looking romantically haggard, too, noble but bruised; in fact the only side of Siegmund we missed was his ecstatic release later in Act 1, where Domingo offered just sober eloquence. Still, he rose to a thrilling cry of "Wäääääl-sungen Blut!" at the end. And in the Act 2 "death-annunciation", where many a Siegmund turns into an ordinary baritone, the marvellous lower reaches of Domingo's tenor were simply, wrenchingly expressive, tapped with absolute finesse.

Brünnhilde, Wotan and Fricka were again superlatively done by Deborah Polaski, John Tomlinson and Jane Henschel. In place of the indisposed Anne Evans, the American Karen Huffstodt made her debut as Sieglinde here. Too slow and lachrymose at the start, I thought; but she developed before our eyes and ears into a figure of wild, passionate extremes – always sung from the heart, and poignantly affecting.

**David Murray**

Alastair Muir

Jason Morrell and Jules Melvin in the British premiere of Strindberg's 'Swanwhite'

Theatre/**Paul Driver**

# A fairytale for adults

Blessed are theatres like The Gate at Notting Hill, in whose small cosy premises you can regularly discover rarities of world drama while drinkers carouse in the pub below and the inane juke-box does its best to wreck the whole enterprise.

At the moment August Strindberg's *Swanwhite* is actually receiving its British premiere (directed by Timothy Walker) here, a rather astonishing thought that puts one close to the audiences who found the dramatist's work so controversial when it was new, even if this particular play gave him one of his best successes.

He can still shock. The very genre of the piece, a "fairytale for adults", is disconcerting, in the manner of the Dennis Potter play where adults romp in children's togs. Written in 1901 during Strindberg's madly prolific period, it comes after the marriage-scrutiny of *The Dance of Death* and before the Buddhist expressionism of *A Dream Play*. Closer in its fantasticalities (it is as though a fairytale source-book were constantly being rifled) and its invocations of the dreamy upper-world to the latter than to the worldly remorselessness of the former, there is none the less a keen portrayal at the play's heart of the petty disillusionment that easily sets in when an idealised relationship turns into a marriage.

The partners are the Duke's daughter Swanwhite and a prince who is supposed to be escorting her into an arranged marriage with his young king, but goes to bed with her himself – albeit keeping a sword between them – once love has revealed to her his secret name. Obvious parallels with Wagner's *Tristan* and *Lohengrin* here, and a post-Wagnerian composer, Sibelius, provided notable incidental music for a 1912 production.

Her love it is that brings the drowned prince back to life and impels Swanwhite to forgive a singularly sadistic stepmother, unable to pronounce that four-letter word until the end. But by this time our credulity has been pushed too far. For all the drama's latent subtleties and translator Gregory Motton's elegant handling of the high-toned diction, there was an ultimate flatness to the fantasy that argued the need for something like that Sibelius music.

Richenda Carey's Stepmother – more convincing earlier when cruel – and Frank Moorey's Duke might, though, have been a bit less ponderous in this final scene. Jason Morrell is perhaps appropriately fey-voiced as the Prince. But Jules Melvin in the title role, her feet and shift blackened by the soil-carpet of Gemma Fripp's earthen playroom of a set, gives a performance of strength and bubbly charm.

At The Gate Theatre, London W11, until December 21.

INTERNATIONAL
# ARTS GUIDE

## BERLIN

CONCERT
**Philharmonie & Kammermusiksaal** Tel: 49-30-2614383
● Berliner Philharmonisches Orchester: with conductor Claudio Abbado, pianist Bruno Canino and violinist Kolja Blacher perform works by Berg and Mozart; 8pm; Dec 13, 14 (7pm), 15 (11am)
● Staatsorchester Frankfurt an der Oder: with conductor Matthias Elger, soloists D. Döllinger, S. Klumpp, R. Ginzel, L. Chung, and the Berliner Konzert-Chor perform works by J.S. Bach, Britten and Honegger; 8pm; Dec 12

## ■ BONN

EXHIBITION
**Kunst- und Austellungshalle der Bundesrepublik Deutschland** Tel: 49-228-9171200
● Studio Azzurro – "Tavoli/why these hands are touching me": an interactive video installation by Fabio Cirifino, Paolo Rosa and Leonardo Sangiorgi, together forming "Studio Azzurro". In this installation, visitors can influence projected images by touching them; from Dec 13 to Feb 9

## ■ COLOGNE

CONCERT
**Kölner Philharmonie** Tel: 49-221-2040820
● Berliner Sinfonieorchester: with conductor Roderich Kreile, soprano Vasiljka Jezovsek, alto Elisabeth Wilke, tenor Markus Brutscher, bass Klaus Mertens and the Kreuzchor Dresden perform works by J.S. Bach and Mozart; 8pm; Dec 11

## ■ FRANKFURT AM MAIN

CONCERT
**Alte Oper** Tel: 49-69-1340400
● Rundfunk-Sinfonieorchester Berlin: with conductor Rafael Frühbeck de Burgos and clarinettist Sabine Meyer perform works by Weber and Brahms; 8pm; Dec 11

## ■ LEIPZIG

CONCERT
**Gewandhaus zu Leipzig** Tel: 49-341-12700
● Neues Bachisches Collegium Musicum: with conductor Burkhard Glaetzner, harpsichordists Christine Schornsheim, Mechtild Winter, Michaela Barak and Ulrike Wappler, tenor Stephan Spiewok, bass Siegfried Lorenz and the Gewandhauschor perform works by J.S. Bach and Beethoven; 8pm; Dec 11

## ■ LONDON

CONCERT
**Royal Albert Hall** Tel: 44-171-5898212
● Royal Philharmonic Orchestra: with conductor Peter Ash, and narrators Joanna Lumley and Danny de Vito, perform works by Pelecis, Cherubini and Schumann; 7.30pm; Dec 13

EXHIBITION
**British Museum** Tel: 44-171-6361555
● Old Master Drawings from the Malcolm Collection: masterpieces by Sandro Botticelli, Leonardo da Vinci, Michelangelo and Rembrandt are among the highlights of the collection of drawings formed by John Malcolm of Poltalloch (1805-1893). A choice of 200 drawings which reflect Malcolm's taste and reveal the extraordinary quality of his collection; to Jan 5

## ■ LOS ANGELES

EXHIBITION
**Los Angeles County Museum of Art** Tel: 1-213-857-6000
● Roy DeCarava: A Retrospective: this retrospective of approximately 180 black-and-white photographs surveys DeCarava's career from the late 1940s to the 1990s. Featured are the series on the moods of darkness and light, the streets and subways of New York, the civil right protests of the early 1960s, and a selection of his jazz photographs of such notable figures as Billie Holiday, John Coltrane, and Milt Jackson, among others; to Jan 26

## ■ MADRID

CONCERT
**Fundación Juan March** Tel: 34-1-4354240
● Trio Gerhard: with violinist Victor Parra, cellist François Monciero and pianist Alberto Nieto perform works by Gemini and Gerhard; 7.30pm; Dec 11

## ■ NEW YORK

CONCERT
**Alice Tully Hall** Tel: 1-212-875-5050
● Juilliard String Quartet: perform works by Bartók; 8pm; Dec 13

EXHIBITION
**The Metropolitan Museum of Art** Tel: 1-212-879-5500
● The Edith and Milton Lowenthal Collection: approximately 50 works from the collection of Edith and Milton Lowenthal are reunited for this exhibition. The works - mostly paintings by such artists as Milton Avery, William Baziotes, Romare Bearden, Stuart Davis, Arthur Dove, Marsden Hartley, Jacob Lawrence, John Marin, Georgia O'Keeffe, Charles Sheeler and Max Weber - range in date from about 1914 to 1952. The exhibition celebrates the Lowenthal's pioneering efforts to promote a wider appreciation of contemporary American art in the 1940s and 1950s; to Jan 12

OPERA
**Metropolitan Opera House** Tel: 1-212-362-6000
● A Midsummer Night's Dream: by Britten. Conducted by David Atherton, performed by the Metropolitan Opera. Soloists include McNair, Gustafson, Bunnell, Kowalski and Streit; 8pm; Dec 11, 14

## ■ PARIS

CONCERT
**Théâtre des Champs-Elysées** Tel: 33-1 49 52 50 50
● Kölner Kammerorchester: with conductor Helmut Müller-Brühl, flutist Patrick Gallois and violinist Natascha Korsakova perform works by Vivaldi and Telemann; 8.30pm; Dec 12

EXHIBITION
**Musée d'Orsay** Tel: 33-1 40 49 48 14
● Charles le Coeur (1830-1906), architecte: exhibition focusing on the work of the French 19th-century architect Charles le Coeur; to Jan 5

## ■ SAN FRANCISCO

EXHIBITION
**California Plaza of the Legion of Honor** Tel: 1-415-863-3330
● Masterworks of Modern Sculpture from the Nasher Collection: this exhibition, organised with the Solomon R. Guggenheim Museum in New York, consists of approximately 65 modern and contemporary sculptures from the Raymond and Patsy Nasher collection of Dallas, Texas. the presentation ranges from turn-of-the-century works by Auguste Rodin, Constantin Brancusi, Medardo Rosso, and others, to contemporary pieces by such artists as Anthony Caro, David Smith, Magdalena Abakanowicz, and Mark di Suvero. Sculptures by Pablo Picasso, Henri Matisse, Alberto Giacometti, Joan Miró and Raymond Duchamp-Villon are represented in great depth by this collection; to Jan 12

## ■ STUTTGART

OPERA
**Staatstheater Stuttgart** Tel: 49-711-20320
● From the House of the Dead: by Janácek. Conducted by Michael Gielen, performed by the Oper Stuttgart. Soloists include Danielle Strauss, Claudia Mahnke, Michael Ebbecke and Randolph Locke; 8pm; Dec 13

## ■ VIENNA

OPERA
**Wiener Staatsoper** Tel: 43-1-514442960
● I Puritani: by Bellini. Conducted by Benini, performed by the Wiener Staatsoper. Soloists include Ungureanu, Gruberova, Sillins and Sabbatini; 7pm; Dec 13

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10.00
*European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets

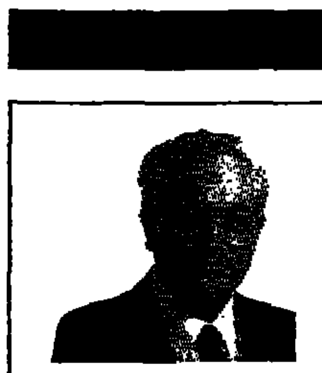
17.30
*Financial Times Business Tonight*

CNBC:

08.30
*Squawk Box*

10.00
*European Money Wheel*

18.00
*Financial Times Business Tonight*



## Martin Wolf

# Trade is not to blame

**Changes in technology, and not the competition of developing countries, are the main reason for growing wage inequality in industrialised nations**

*"Global free trade has become a sacred principle of modern economic theory, a sort of moral dogma. That is why it is so difficult to persuade our politicians and economists to reassess its effects on a world economy which has changed radically." Sir James Goldsmith.*

Not long ago Sir James Goldsmith, the Anglo-French billionaire, had a bigger target than the UK's place in the European Union in his sights. His enemy was global free trade. Free trade, argued Sir James in his book, *The Trap* (Macmillan, London, 1994), pitted the high-income countries against the competition of billions of impoverished workers.

Fortunately, such simplistic protectionism has made little political headway. But the pressure has not been without its effect. Already, the US and the EU have placed the link between labour standards and trade on the agenda of the World Trade Organisation.

Maybe this reflects a sudden concern for the welfare of the poor in China or India. And maybe the moon is made of Stilton cheese. More plausibly, this is a foolish way of diverting domestic protectionism. If so the approach cannot work. Either developing countries will reject the demand; or agreed standards will turn out to make no difference to underlying economic forces; or the standards will be used as an excuse for protection.

Behind the demand for labour standards is a more fundamental question. Must global liberalisation impoverish, if not everyone in rich countries, at least the relatively disadvantaged? This cannot be answered merely by gesticulating in the direction of the billions of people hammering at the gate. What is needed is meticulous analysis.

A number of distinguished economists have made substantial contributions to this topic. The latest – and in some ways the most impressive – is a new book* by Robert Lawrence, professor of international trade and investment at Harvard University's John F. Kennedy School of Government, among the world's foremost empirical analysts of international trade. So does trade with developing countries threaten havoc in high income ones? Not guilty is the author's reply.

The questions he addresses can be divided into three:

- Has trade pauperised high income countries?
- *Has trade created increases in inequality?*
- What would happen in future if trade with countries like China and India were to grow at rapid rates?

How, it is asked, can workers compete with people earning a fiftieth of their wages? The answer is "quite easily". China's wages are so low because its average productivity is low. When its productivity catches up, so will its wages.

The fear of pauper labour derives from a wilful refusal to make the effort needed to understand the theory of comparative advantage. This says that China will export the goods it can make *relatively* more cheaply than the rest of the world – those where the relevant technology and skills can be imported easily and where unskilled labour is used most intensively.

Even if the fear of general impoverishment can be dismissed, people may still worry about the trends. In the US, in particular, notes Prof Lawrence, between 1973 and 1994 real compensation (including employers' contributions for social insurance and private benefit plans) of workers (including the self-employed) rose only 8.6 per cent.

This dismal performance helps explain the gloom of many workers. But why did it happen? A part of the answer is that output per hour rose only 24 per cent. This is pretty poor over two decades, but is explained by the low measured productivity growth in services. The question, however, is whether trade explains any of the difference between the growth rates of real output and of real compensation per worker.

The answer is no. The share of labour income in the value added of the business sector did not decline. Capitalists did not grow fat on the losses of the workers. Instead, the cost of living rose far faster than the prices of business sector output. This was because of declines in the prices of investment goods and rises in the prices of housing.

Prof Lawrence's conclusion is that trade has not pauperised workers as a group, even less whole countries. The question then is whether trade explains the increase in inequality between more and less skilled workers that has been such a characteristic of the US (and UK). This time the answer is more nuanced, but it is still essentially no.

Trade can be thought of as an alternative to physical movement of capital and labour. Under a number of strong assumptions, it will equalise the worldwide returns on capital and labour. Since unskilled labour is staggeringly abundant in developing countries, the effect would be to drive down the wages of the unskilled in rich countries, while enriching the skilled and owners of capital.

This can be examined in two principal ways: by the quantitative impact of trade; and by changes in the relative prices of exports and imports. The first of these rests on the notion that imports and exports embody labour and capital that can be viewed as additions to (or subtractions from) supplies at home. The second notes that changes in relative prices of labour and capital should, in theory, follow changes in the prices of traded goods and services.

Prof Lawrence's conclusions are that the quantitative effects of changes in trade "explain only about 10 per cent of the rising differential between high-school and college workers in the US". The terms of trade improvement needed to lower the relative wages of unskilled workers also did not occur.

He estimates that the impact of trade on the relative demand for college-educated versus high-school educated workers in the US was only about a third of the impact of "de-industrialisation" – which covers shifts in demand and relatively rapid productivity growth in manufacturing. Trade also amounted to only about a fifth of the impact of changes in technology and organisation that increased the relative demand for skilled labour.

What about the future? Here Prof Lawrence makes the extreme assumption of complete specialisation by the US in relatively skill-intensive areas of production. Compared with 1990, the relative demand for high-school educated workers would still fall only 7.5 per cent, other things equal, which would imply a 2.5 per cent decline in real wages spread over many years.

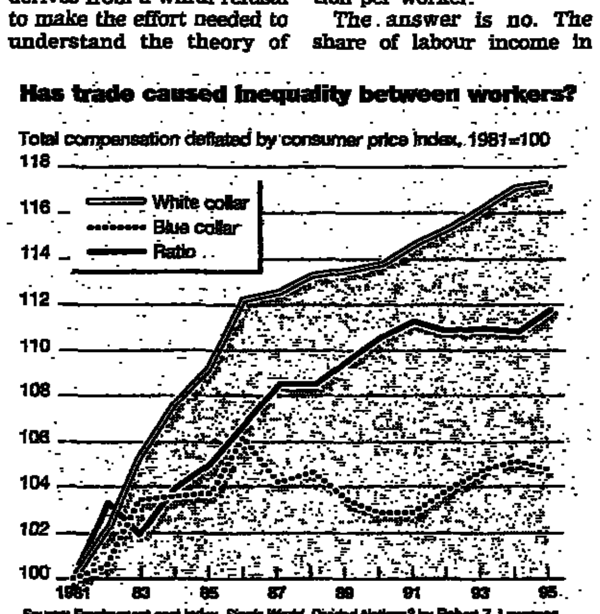
The impact of globalisation on labour markets in industrial countries has been far less significant than many observers argue. The same is almost certain to be the case in future. The important question about performance in high income countries is why overall productivity growth has become so slow and increases in demand for skilled labour so strong. That, not trade, is where analysts have to look.

In the meantime, poor foreigners must not be blamed for problems rich countries are unable to solve for themselves. Nothing may be more natural. But nothing can be more dangerous. To permit the protectionist horse to pull the global political cart down that road would be a historic blunder.

**Robert Z. Lawrence, Single World, Divided Nations? (Brookings Institution/OECD Development Centre, 1996)*

**Has trade caused inequality between workers?**

Total compensation deflated by consumer price index, 1981=100




Source: Employment cost index, *Single World, Divided Nations?* by Robert Z. Lawrence

## Burma's junta may be facing sanctions but is likely to survive, writes Ted Bardacke

# Rangoon wrangle

Kyatkasan Grounds, a former horse-racing course in central Rangoon, is a good place to check on the political priorities of Burma's military junta.

Earlier this year, the State Law and Order Restoration Council, as the junta calls itself, used Kyatkasan as the venue for its "National Convention", an assembly charged with drawing up a new constitution that would give the military "a leading role" in the country's affairs.

Growing political unrest has forced the indefinite suspension of the National Convention, which made Kyatkasan – surrounded by high walls topped with barbed wire – available for a different purpose last week: hundreds of student protesters, rounded up after participating in the largest demonstrations to hit the country since a violent crackdown in 1988, were sent there to be identified and interrogated before being released.

In the euphoria surrounding the release of Nobel Peace Prize winner Ms Aung San Suu Kyi from house arrest 18 months ago, Slorc's vision of the National Convention paving the way for an orderly transition to some form of stable semi-civilian rule seemed plausible. But the optimism has faded.

The domestic economy continues to grow but the country's external situation is delicate. Foreign currency reserves have fallen to their lowest level in a decade – covering only a month of imports – and key export markets in the US and Europe are close to being restricted by sanctions over human rights abuses and political repression.

The economic problems mean Slorc may not be able to fulfil promises of development funds for 15 still restless – and armed – ethnic insurgent groups. Most have agreed ceasefires with Slorc, but five of the 15 have either begun fighting again or have threatened to.

"Things aren't unravelling on Slorc, but they've squandered their opportunity [for long-term stability]," says one diplomat in Rangoon. "They've been in power eight years and tonight the generals are sitting in their war room still preoccupied with crisis management."

One positive sign for Slorc is that the Association of South East Asian Nations is set to admit Burma as a full member in July 1997, a goal long sought by the regime in an attempt to bolster its international legitimacy. But Asian diplomats say that even Asean membership could still fall through if the internal situation in Burma deteriorates substantially between now and the end of February, when a final decision on membership will be made. Thus the need to keep the students off the streets – and out of jail.

Most of today's students have been careful to limit their demands to student issues, giving Slorc little excuse to crack down in the same way as it has on Ms Suu Kyi and her National League for Democracy. But as the protests have grown, political demands have found their way into the student agenda.

Ms Suu Kyi has been watching events with a quiet confidence. Effectively confined to her home once again, she has denied any links with the students but she has stressed that the students and the NLD have similar grievances about police brutality and political intolerance, grievances that ought to be resolved in talks and not with water cannons or wooden batons.

'They've been in power eight years and tonight the generals are sitting in their war room still preoccupied with crisis management'

"The NLD has not advocated street protests," she said in a recent interview. "I hope that the authorities will see the NLD as a moderating force in the current situation ... and will see the wisdom of dialogue."

Slorc officials do not see it this way, preferring to lump the NLD, the students and western criticism into one big anti-Burmese conspiracy. US threats of sanctions and European Union hints that it will remove preferential trade privileges seem to have made Slorc more intransigent and less likely to heed calls for dialogue.

Yet such moves by the west would certainly hurt the Burmese economy, as it is European and US demand that keeps Burma's largest manufacturing industry – textiles – in business.

With foreign currency short, petrol and diesel imports are a particular difficulty. Japanese trading companies, which admit they are losing money in the country, have been unwilling to provide trade finance as they did in the past. This has forced the Burmese to turn to Unocal of the US and the Petroleum Authority of Thailand, their partners in an unfinished natural gas pipeline, for fuel and fertiliser imports in return for a pledge of some of the state's share of future gas revenues.

Burma's abundance of natural resources, however, together with the support given to the junta by its Asian allies, means that the regime is likely to survive this latest political and financial crisis. "Natural gas, tourism, gems, rice, beans, fish and teak are not enough for sustainable development," says a local economist in Rangoon who asked not to be named. "But it is enough for Slorc to muddle through."



# LETTERS TO THE EDITOR

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## Short life for euro coin likely

*From Mr Selwyn Hodson Pressinger.*

Sir, Those who have worked in Europe in recent years, like myself, will generally endorse the views expressed by Mr Jacques Santer, president of the European Commission, on the benefits of Emu (FT Interview, December 2). Nonetheless, the full implications of Emu and the difficulties arising from Maastricht's timetable for the imposition of a single currency still give genuine cause for concern.

As for the shape and form of the single currency, this is surely a matter that need not cause us too much concern. Taking a long-term view of our use of currency it is evident that coins and banknotes will soon be deemed outmoded in a European economy increasingly dependent upon sophisticated technology for monetary transactions and with the universal, and exclusive, use of credit cards and debit cards by consumers.

As a consequence, not only will Europe's individual national currencies be phased out but the same fate awaits Euro coins and banknotes issued by the European Central Bank, in spite of Article 105a of the Maastricht Treaty.

**Selwyn Hodson Pressinger,**
**139 Rue du Faubourg St Honoré,**
**Paris 75008, France**

## Pause for thought over use of graph

*From Sir Alan Walters.*

Sir, In his article "Dear Ken, be decisive" (December 3), Martin Wolf uses a graph to illustrate "how monetary growth precedes inflation". He draws this conclusion by comparing real monetary growth (the percentage change in M4 divided by the percentage change of RPI[x]) with the contemporaneous rate of inflation, again in terms of RPI[x].

But one should pause before adducing anything from this graph. Consider a monetary policy on perfect Friedmanian lines – namely a constant 5 per cent rate of growth of the nominal money supply. Then only variations in inflation can affect the rate of growth in the real money supply. If inflation increases then the rate of growth of real money falls, and if inflation falls the rate of growth of real money rises. There is a perfect negative correlation (-1.0) between real monetary growth and inflation. This is one among many "nonsense correlations", as the great statistician, Udny Yule, called them, in time series.

Of course, normal monetary growth rarely performs exactly according to the Friedman rule and so such variations have their additional effects, often with variable and long lags. But the dominant "nonsense correlation" renders any monetarist interpretation, such as that drawn by Mr Wolf, dubious at best.

**Alan Walters,**
**AIG International,**
**120 Leman Street, 6th Floor,**
**London E1 8EU, UK**

## Weakness

*From Mr Matthew J. Turner.*

Sir, Of course Barry Riley is correct to say not every country can have a weak currency if by that he means relative to other currencies ("Not everyone can have a weak currency", December 4). It is, though, plausible for all countries to have weak currencies relative to (say) gold. It is even true that every country can follow weak currency policies.

For Europe, and Germany and France in particular, the actual level of the franc and D-Mark against the dollar is not the crucial issue. France is enjoying a large current account surplus at today's exchange rate. What is more important for the health of their economies is the level of interest rates. The only floor to these is the Bundesbank's fear of inflation.

A large reduction in European interest rates still remains the best way to get European economics growing again, no matter what the level of the dollar exchange rate is.

**Matthew J. Turner,**
**40a Maud Road,**
**Plaistow,**
**London E13 0JU, UK**

## Directive on recycling of cars should be applauded

*From Mr Roger Higman.*

Sir, Your leader "Scrap Directive" (December 5) on car recycling argues that the European Commission should encourage voluntary arrangements to encourage car recycling rather than force manufacturers to take back and dispose of cars at the end of their life. You base your conclusion on the fact that 75 per cent, by weight, of the average end of life car is already recycled.

This is completely missing the point: 75 per cent of the average car is recycled because that proportion of the car is metal. The metal component of cars has been commercially recycled for years.

The issue the European Commission is trying to address is the recycling of the non-metal component of cars. Here, both the market and voluntary agreements have failed. As a result, most of the non-metal component of cars is land-filled.

The purpose of the Commission's regulation is not, therefore, to do what the market or voluntary agreement could do better, but to do what the market and voluntary agreements cannot do – ensure that virtually the entire car is recycled at the end of its life.

That, you should applaud.

**Roger Higman,**
**senior campaigner (atmosphere and transport),**
**Friends of the Earth,**
**26-28 Underwood Street,**
**London N1 7JQ, UK**

## EU pensions liability could fall on UK

*From Mr Toby Eckersley.*

Sir, It is now being put about (for example, Lex column, November 2) that UK taxpayers have nothing to fear from the worse actuarial condition of other European state pension schemes because those other states will bear the consequences by paying higher interest rates for their bond issues.

This argument depends upon the fulfilment of at least two constitutional conditions:

- The European Union permitting member states to issue their own bonds.
- The absence of a Union guarantee of such borrowings.

It might be readily said that both conditions would be fulfilled. Yet if enough states (by the relevant qualified majority vote) perceive that they would benefit from coercing the minority, what would stop them adding EU guarantees to such borrowings? They would use the same arguments used by the UK government for tight central control of local authority borrowing to regulate European state borrowings in such a way as to coerce the more creditworthy states into lending their good name to Union issues or guarantees, thus bailing out the less prudent.

**Toby Eckersley,**
**leader of the Conservative group,**
**Southwark Council,**
**Peckham Road,**
**London SE5 8UB, UK**

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Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
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# BA's flight to freedom

The UK government's decision to nod through the alliance of British Airways and American Airlines, subject to the sale of slots at Heathrow, might seem the prelude to a done deal. There are two important caveats. First, the aim of UK and US authorities should be to maximise the benefit to their respective consumers, not to their airline champions. There is much haggling still to be done and if the result were not to increase competition, the deal should still be thrown out.

Second, the deal is running in parallel with US-UK talks on liberalisation of air services – so-called "open skies" – between the two countries. To a limited extent, the two are interdependent. But the negotiations are vastly more important. If liberalisation ever looked like being compromised in haste to do the deal, the deal should again be rejected.

It need not come to that. The UK government's requirement to sell a total of 168 slots is doubtless an opening shot. Between now and January 16, it is open to arguments that the figure is too low. US airlines will certainly oblige.

In addition, the deal has yet to gain anti-trust exemption from the US Department of Justice. The DoJ will doubtless seek assurance on other matters: for instance, that not all the slots will be in the small hours of the morning. If the process is open to equal lobbying from both sides, the result is likely to be even-handed – at least as far as the airlines are concerned.

The benefit to consumers will largely depend on how far the existing oligopoly on transatlantic flights is broken down. This is where the open skies agreement comes in. At present, the only US airlines allowed into Heathrow, by government fiat, are American and United Airlines. Plainly, it makes no sense for BA and American to be forced to sell off slots unless all their competitors are free to buy. Hence the present intention to conclude both the deal and the open skies agreement simultaneously, in perhaps three months' time.

The danger is obvious. The open skies negotiations involve a number of complex propositions. The simplest is the abolition of the so-called Bermuda II agreement of 1977, which says that only a handful of US and UK airlines may fly between the two countries. This is the only issue which has direct bearing on the BA-American deal.

Two other issues are more contentious. First, it is argued that US carriers should be free to fly within the EU, and UK carriers within the US. Second, it is proposed that foreign ownership of airlines should be raised above its present 25 per cent ceiling in the US and 49.9 per cent in the UK and EU as a whole.

These are substantial issues, which may take time to resolve. There is no reason why they should be bound to the timetable of a proposed arrangement between two individual airlines, especially since such arrangements often prove temporary.

If, on the other hand, the open skies negotiators do feel moved to press ahead, they should set themselves a simple test: if the BA-American deal breaks down the day after they draw up the agreement, they should not have to change a single line.

# In proportion

With a bit of luck New Zealand should finally be able to announce that it has a new government today. That it should have taken more than eight weeks to form one appears to speak badly of the country's new system of proportional representation. Perhaps this is one New Zealand model which the world will not regard with envy.

Then again, this is in fact a model imported from Germany, so New Zealand cannot make any claim for originality. The striking aspect of its application in New Zealand is not so much that it has proved so difficult to form a government – its politicians had little previous experience of coalition building – but how little the absence of government has mattered.

There has been no sense of crisis. The financial markets, always an indicator of confidence, have prospered: bond yields have fallen nearly 60 basis points since the election, the currency has appreciated two cents against the dollar, and the equity market is up 6 per cent.

That would hardly have happened in other countries where the economic framework was less robust. In New Zealand the markets can take heart from the Reserve Bank Act, which gives the central bank the task of controlling inflation and the freedom to do so. Equally, the Fiscal Responsibility Act limits governments' power to spend.

Admittedly the markets may have been a little sanguine about how this act would be interpreted by a coalition involving Labour and the nationalist New Zealand First, which remained a possibility till the end. The absence of a government has also not mattered so much while parliament was in recess.

But the calm is also a measure of the way the role of government has diminished in New Zealand. The less government you are used to, the less it matters when you do not have one at all.

# Nato in knots

The construction of an enlarged, Europeanised Nato, announced with much fanfare in Berlin six months ago, is proving a trickier business than was first expected. As Nato foreign ministers gather in Brussels today, a host of transatlantic differences, mainly pitting Paris against Washington, is undermining the alliance and harming its credibility in central and eastern Europe.

That is an unfortunate state of affairs, to put it mildly, at a time when Nato's message to both Russia and future members of the alliance needs to be firm, consistent and very carefully crafted. Mr Yevgeny Primakov, the Russian foreign minister who comes to Brussels tomorrow, will be quick to take advantage of any signs of internal division within Nato. It is therefore incumbent on the alliance to put its own house in order as swiftly as possible.

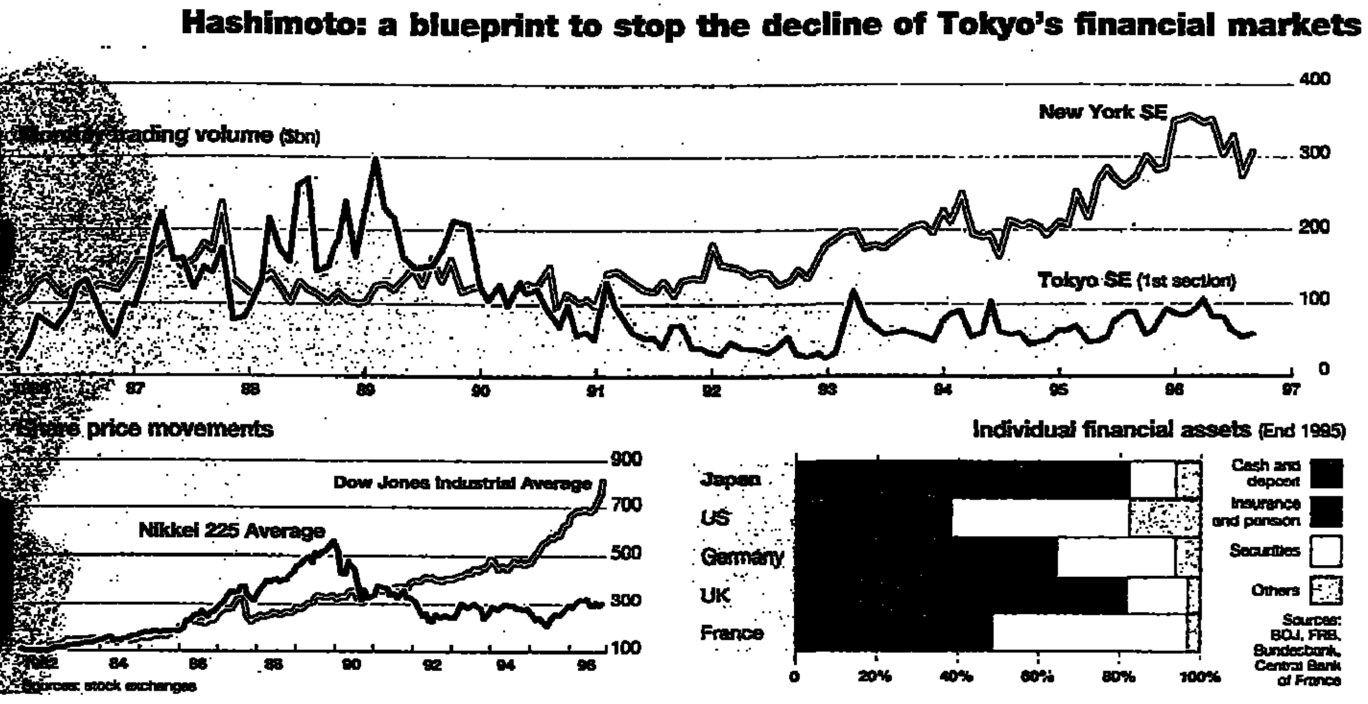
The most immediate US-French problem arises from France's insistence that responsibility for Nato's southern command in the Mediterranean should be transferred from US to European hands. That is part of the price Paris is demanding for reintegrating French forces into Nato. There is a suspicion in some quarters that the price has deliberately been pitched high, as part of the long-standing French campaign to loosen US links with Europe. There is very little chance that the US will agree to the demand, given that the Naples-based job includes responsibility for the Sixth Fleet, as well as surveillance over the Middle East and North Africa.

It should not be impossible to find a way round this problem, however, perhaps by redesigning the Naples job to separate US national responsibilities from the collective tasks of the alliance. All will have to sacrifice some national interest as part of the streamlining of Nato's structure – from more than 60 regional headquarters to about 20 – now being planned.

Britain, for its part, has raised no objection to the likely diminution of its own role in the alliance. It is expected to lose the one major Nato command on UK soil, at High Wycombe, and to forfeit its traditional right to nominate the deputy commander of alliance forces in Europe. It seems reasonable to ask France to show a similar degree of flexibility.

Reforming Nato, by strengthening its European pillar, is important: it should help reassure the Russians that the alliance is not the same cold-war institution it used to be. But equally Nato needs to bind the US to Europe. President Bill Clinton's appointment of Senator William Cohen as defence secretary is an indication of his determination to maintain his Nato commitment. Both US and west Europeans now need to settle their differences to concentrate on the most important task ahead: enlarging the alliance to become a force for stability throughout the continent.


Ryutaro Hashimoto
Japanese prime minister




# A big bang in slow motion

## The Japanese government's latest plan to deregulate the financial markets stops short of radical reform, says **William Dawkins**

Bankers and stockbrokers were initially sceptical when Mr Ryutaro Hashimoto, the Japanese prime minister, announced last month that he planned a "big bang" to boost Japan's equity market to the size and sophistication of New York within five years.

It was hard to believe that he would break with the past practice of easing government controls slowly enough to allow the weakest financial institutions to muddle through. That strategy ensured some stability. But, as the Japanese leader now accepts, it also throttled innovation and may even have worsened the recent banking crisis.

Fearful that Tokyo financial markets are stumbling closer to disaster – a penalty for high costs, burdensome regulations and a series of mishaps – the government is making its most serious attempt to date at financial deregulation.

True to Mr Hashimoto's new promise to allow market forces to rule, the finance ministry followed up the big bang plan 10 days later, on November 21, by ordering the closure of an insolvent regional lender, Hanwa Bank. It is the first forced shutdown of a Japanese bank in more than half a century, and a swerve away from the tradition of keeping dud institutions artificially alive.

There are reasons to be sceptical, not least because some powerful members of the ruling Liberal Democratic party are resisting a big bang, and the plan itself fails to address some of the Tokyo market's greatest weaknesses. But most people assume that most of the main points of Mr Hashimoto's big bang will become reality. Foreign banks and stockbrokers anticipate a revival in the Tokyo capital markets, and have started to reinvest in their Tokyo operations.

Japanese brokers are responding too: Tokyo-based Maruko Securities and Osaka-based Daika Securities have announced they are to merge in an early indication of the consolidation that will in due course sweep through the overcrowded broking sector.

The plan includes full deregulation of commission on equity sales and insurance premiums, probably from next year. Banks and stockbrokers are to be allowed to enter each other's businesses, probably in two years' time.

Pension-fund managers are to be free to invest more money in equities, now limited to 20 per cent of their portfolios. All fund managers will have to disclose the market value of their investments so that their performance can for the first time be compared with that of their western competitors. Also planned is a move towards international accounting standards so that investors can assess the real value of Japanese financial institutions. Licensed foreign-exchange banks will, from next year, lose their monopoly.

Nothing on this list is new. All these measures have been debated by various finance ministry panels for a decade or more, with the aim of bringing about a slow-motion version of the financial deregulation seen in New York and London. What is new is the 2001 deadline.

Will the plan succeed? Mr Hashimoto should have a better chance of speeding up financial reform than his predecessors.

First, Mr Hashimoto's political survival depends on his ability to deliver on this and other economic deregulation. His minority government is hanging by a thread, with the LDP's authority undermined by a series of corruption scandals and a weak economic recovery. He badly needs a success.

Second, the finance ministry is behind him, now that it has succeeded in pushing back Mr Hashimoto's original deadline by a year to fit its own strategy of withdrawing state support for the banks by the end of the decade. "Yes, we are very serious ... we will hit the target," says a senior ministry official.

Third, the stockbroking industry has abandoned its resistance to deregulated commissions. As Mr Takashi Kanasaki, managing director of Yamaichi Securities, one of Japan's big four stockbrokers, explains, deregulated commissions might help boost the equity market's flagging turnover, the main reason why Japanese brokers' profits are so low.

It is not hard to see why there is a new urgency. Many Japanese once took pride in the thought that on some counts – such as daily equity turnover – Tokyo had the biggest and most active financial markets in the world.

But since the 1989 share price collapse, Tokyo has lost out to cheaper and more efficient markets in the US, Europe and even Asia on almost every count.

While other equity markets were exploring new highs before last week's shakeout, Tokyo now stands at just over half its 1989 peak. At the turn of the decade, monthly trading values in Tokyo and New York were about equal; now Tokyo's trading value is one-fifth that of New York. Tokyo's turnover in shares has fallen by almost 70 per cent from its 1988 peak.

Worse, Tokyo is losing its importance as the place to trade Japanese equities. Over the past five years, the proportion of Japanese shares traded in London (where commissions were deregulated just over 10 years ago) has tripled to 18 per cent of the total volume in Tokyo.

The proportion of foreign shares traded in Tokyo has declined, demonstrating its fading credentials as an international market. The number of foreign companies with a Tokyo listing has nearly halved from a peak of 127 five years ago to 68 now. No wonder. One European bank complains that it pays Y20m (£108,100) a year in legal, translation and administrative fees just to maintain a Tokyo listing, up to three times more than in New York.

The decline in the financial markets is thus not merely a reflection of Japan's own economic stagnation. According to Yamaichi's Mr Kanasaki: "The lack of activity in the Tokyo market last year stems from structural problems. Unless the Tokyo market can shake off structural impediments, such as its peculiar characteristics, the market will not regain its previous vitality."

Yet the finance ministry recognised those structural problems years ago, and has already taken concrete steps to remove some of them in the equity and other markets.

Three years ago, for example, commercial banks were allowed to underwrite corporate bonds though they cannot trade bonds or underwrite equities. Then, two months ago, life assurers and non-life insurers were allowed to enter each other's business.

In addition, some pieces of deregulation are taking place on the quiet. Citibank, the US bank, is close to getting the all-clear to link its automated teller machines with those of the post office. This will allow postal depositors to withdraw cash from any Citibank terminal in the world, a blow to the Japanese travellers' cheques industry, points out Mr Paul Heaton, senior analyst at Deutsche Morgan Grenfell in Tokyo. Last month American Home Insurance became the first foreign insurer to be allowed to sell car policies – which it does at a 20 per cent discount – by mail.

If the consensus for financial reform is growing, this invites the question of whether the measures outlined in Mr Hashimoto's plan are enough to close the gap between Tokyo and New York. The signs are that the blueprint contains several large holes.

It fails, for example, to propose how the authorities are to get an early warning and take corrective action to minimise the large number of financial collapses that would result from the competition unleashed by reform. The less well-capitalised of Japan's 235 second-tier stockbrokers and some of the smaller banks are thought to be most vulnerable.

The Bank of Japan and the finance ministry have about 670 financial inspectors – one-twelfth the number of their US counterparts – a legacy of Japan's highly regulated market and its orderly society in which everyone can be assumed to be observing the rules.

That assumption has been shown to be false by the Daiwa Bank scandal in which a dealer in the New York branch made $1.1bn (£670m) of losses in unauthorised bond trading, and by the uncontrolled lending which contributed to the Japan's housing loan crisis. Fewer controls suggest an even more pressing need for additional officers. And yet the government's plans are to cut the bureaucracy, not enlarge it. "If you don't have proper inspection and supervision, you won't have a big bang, but a catastrophic explosion," warns Mr Brian Waterhouse, senior analyst at James Capel Pacific.

An even larger hole in the blueprint is its failure to tackle Japan's system of subsidised post-office savings. The post office, the world's largest savings bank, has traditionally offered depositors higher rates than banks and well above the yield on equities. It is the key to Japan's post-war system of extracting individuals' savings for re-direction into strategic industries.

Only the most bullish Japanese investors are likely to move their life savings from high-interest, state-guaranteed post office accounts into equities – which over the past five years have offered little yield and a big capital loss. Sensibly, Japan's savers have increased their outstanding postal deposits by nearly 45 per cent to Y220,000bn over the same period. That is why the average citizen keeps less than 10 per cent of his assets in equities and investment trusts, as against his US counterpart's 26 per cent.

It is this shortage of equity investment by individuals which most distinguishes Japan's financial system from that of the US. "The single biggest reason for the inefficiency of Tokyo's financial markets is this remnant of a financial system dictated by policy. That is what distorts prices," says Mr Yukihiko Endo, a policy expert at Nomura Research Institute. Accordingly, senior bankers and stockbrokers have criticised the Hashimoto plan for failing even to mention the post office.

There is a consensus that the financial markets need radical reform. But the risks of corporate failure are probably too great for the full "big bang" programme to be implemented by the 2001 deadline, and the plan itself fails to tackle the biggest distortion to Japan's financial markets. It is very unlikely that a government would remove postal savers' privileges in the plan's lifetime. So this is as serious about reform as Japan is likely to get.

That said, deregulation in Japan's financial sector is moving much faster than elsewhere in the economy. Even if those who are sceptical about Mr Hashimoto's deadline are proved right, the rationalisation of the financial sector will still be painful.

# · OBSERVER ·

## Commission competition

■ The scramble to replace David Williamson as secretary general of the European Commission is under way. Within days of Observer's disclosure that Williamson is ready to retire next year, a front-runner has emerged in the form of his deputy Carlo Trojan – a half-Dutch, half-Italian Mr Fix It who is master of the grand compromise at Euro-summits like this week's gathering in Dublin.

But it won't be plain sailing, given the reluctance of big countries like France to hand out too many jobs to smaller nations. Trojan's fellow Dutchman Wim Duisenberg is already the next head of the European Monetary Institute and favourite to run the future European Central Bank. Jose Cutileiro, a Portuguese, is secretary general of the Western European Union defence body. And Jacques Santer is the second Luxembourger in 15 years to become president of the European Commission.

Indeed, France has a particular attachment to the post of Commission secretary general because a Frenchman – Emile Noel – held the job for the first 30 years of the European Community's life. The trouble is that there is no obvious French candidate.

So what happens if President Chirac decides to block Trojan on principle? The dark horse is Eneko Landeburu, the Basque head of the regional aid directorate, a former favourite of Jacques Delors, and a top-rate manager having previously worked for Nestlé in Switzerland. Landeburu's trump card? He was educated in Paris.

## Lady in white

■ The Ukrainian parliament has gained a weighty – and wealthy – new member in Julia Timashenko, youthful president of United Energy Systems, the gas distributor with sales of $5bn this year, equivalent to about 5 per cent of the country's GDP. Soft-spoken Timashenko favours demure white dresses and looks an unlikely parliamentarian – or tycoon, for that matter. Her rags to riches story, as she tells it, involves school in Dnepropetrovsk and a job at Yuzhmash, once the world's largest missile factory, before going into business in 1990.

Her landslide by-election success certainly had powerful political support in the shape of prime minister Pavlo Lazarenko. He hails from the same home town and dreamt up the gas distribution scheme that was the making of United Energy.

Timashenko is already getting into the swing of political life; she spends several days a week in Kiev, the capital, occupying the largest suite in the renovated National Hotel and protected by Kalashnikov-toting bodyguards.

## Virtue rewarded

■ In Mexico, government officials who out-shine the president tend to have unexpectedly short careers. This is a long-standing tradition; in ancient Maya times kings would execute successful warriors, rather than stand in their shadow.

So when his popularity ratings zoomed ahead of those of president Ernesto Zedillo, Antonio Lozano must have suspected that his days as Mexico's top law officer were numbered.

In two years as attorney-general, Lozano jailed Raúl Salinas, the elder brother of former president Carlos Salinas, on charges of murder and illicit enrichment. He captured Juán García Abregó, a drug trafficker on the FBI's most-wanted list. He fired hundreds of cops in the pay of drug cartels. So Mexicans are more than a little surprised to see Lozano being dismissed for incompetence.

Zedillo may have had a stronger reason. Lozano having been the only opposition member in his cabinet. With elections looming in 1997, the ruling Institutional Revolutionary Party (PRI) was clamouring for Lozano's removal. Why enhance the opposition's appeal with Lozano's success?

Lozano will linger as a thorn in the PRI's side. His supporters in National Action, the conservative opposition party, are touting him as the next governor of Mexico City. With the PRI trailing badly in the capital, Zedillo may have yearned for a Maya-style method of truncating the attorney-general's career.

## Foul-mouthed

■ Forget bribery and corruption, whoever replaces Antonio Lozano as Mexico's attorney-general will to have come up with a policy on bad language. City fathers in Guadalajara, the country's second largest city, have banned swearing at soccer matches in a crackdown on lewd insults. Offensive offenders face stiff fines and a spell in jail under the ban introduced by the National Action Party, which controls the city council and has already forbidden foul language in public markets. They must be going for the referees' vote.

The Financial Times

## 100 years ago

**The Italian Budget**
An Italian Finance Minister delivering his Budget speech is not a gentleman to be envied. He has to deal with no less than three Budgets – namely those for the past, the current and the future financial years. However, there is one advantage about this complicated arrangement, for, like a juggler, he can so confuse the mind by playing one Budget against the other as to leave a very vague notion with regard to what the condition of the country's finances really is. It is evident from the Minister's speech that the hiatus has been reduced to relatively small dimensions by the free use of supplementary credits that will have to be paid for some day or other.

## 50 years ago

**Austerity For France**
M. Robert Schumann, Minister of Finance, will tomorrow submit to the finance committee of the French National Assembly a new general survey of national finance. The re-establishment of the balance of revenue and ordinary expenditure is, it maintains, an essential prerequisite to the restoration of confidence in the currency, on which everything depends.

FINANCIAL TIMES
Tuesday December 10 1996



# WTO reports slowdown in global trade growth

**By Frances Williams in Singapore**

Growth in world trade has slowed more than expected this year because of sluggish demand in the west for consumer goods, according to the World Trade Organisation's annual report, published yesterday.

The report coincided with the opening in Singapore of the WTO's first ministerial meeting to discuss liberalising global trade in telecommunications and information technology, and the lifting of trade barriers.

Progress was made in a divisive row between rich and poor countries over textiles, and ministers sought to press ahead with simplified customs procedures to promote greater trade.

According to the report, reduced consumer demand in western Europe and North America has been the main cause of the slowdown. Nevertheless, trade is still expanding more rapidly than world output, which is projected to grow this year by 3 per cent, the same rate as last year.

The report predicts a 5 per cent increase this year in the volume of merchandise exports, compared with 8 per cent last year and 10 per cent in 1994. In March the WTO was forecasting world trade growth of 7 per cent for 1996.

"In fact, it is not so much a question of a sharp slowdown in global trade growth as a return to more typical trade growth following two exceptional years," the WTO says. Its economists also expect some acceleration in 1997 as economic activity picks up in western Europe.

The report forecasts that developing countries will expand trade much faster than the industrialised world, with Asia setting the pace.

Despite the slowdown, poorer nations in Asia are predicted to increase exports by 9 per cent and imports by 10 per cent – nearly twice the world average.

Asian countries are also importing much more, from each other and from the rest of the world. Trade between Asian developing countries, which reached $287bn last year, is fast catching up with their combined exports of $314bn to North America and western Europe. This, the WTO points out, is proving a potent stimulus to growth for developing countries and for the world economy.

North American exports to developing Asian economies rose by 13.5 per cent a year between 1990 and 1995, nearly twice as fast as exports to the rest of the world. Western Europe and Japan increased their exports to developing Asia three times as fast rapidly as to other destinations.

Developing Asia now accounts for about the same proportion of world trade as North America, and exports more than the European Union does to non-EU countries. "This share is expected to increase further in coming years and serve as a major source of growth for the global economy."

*Annual report 1996. 2 vols. Available from WTO publications service, 154 rue de Lausanne, CH-1211 Geneva 10, fax 22 739 5458, SFr75.*

WTO progress on textiles and customs, Page 6

# Malaysian dam row casts pall over Nobel ceremony

**By Hugh Carnegy and Greg McIvor in Stockholm**

A row over a $5.5bn hydro-electric dam in Malaysia, to be built by Asea Brown Boveri, the Swedish-Swiss electrical engineering group half-controlled by Sweden's Wallenberg empire, has cast a shadow over today's annual Nobel prize ceremony in Stockholm.

Controversy was sparked when the Royal Swedish Academy of Sciences, which awards the economics, physics and chemistry prizes, sacked its environmental secretary last month, shortly after he criticised ABB's involvement in the project during a television interview.

The academy denied any connection, but Mr Hans Lundberg, the academy's most senior spokesman on environmental issues, said he was told his remarks had partly caused his dismissal. He was reprimanded the day after the interview and sacked 10 days later.

The sacking provoked accusations from environmentalists that the academy was seeking to appease big business. They said any hint of commercial influence over the academy would damage the integrity of the Nobel prizes.

Mr Lars Bern, an environmental consultant and former adviser to Mr Percy Barnevik, ABB chief executive, said: "Obviously somebody with very bad judgment has tried to help [ABB] by firing Hans Lundberg."

The Swedish Society for the Conservation of Nature said the academy's reaction was "an attack on free speech and a clear signal to the Swedish research community to sit quietly in the boat. It is unworthy of a free research society."

Mr Carl-Olof Jacobson, academy secretary-general, flatly rejected suggestions that the academy had come under pressure from ABB to act against Mr Lundberg.

He said the dismissal was connected with a planned restructuring of the academy and dissatisfaction with Mr Lundberg's work.

Mr Lundberg said he had received no criticism of his work during his 10 years at the academy and there had been no mention of a restructuring before his dismissal. "I am paralysed. It is completely incomprehensible."

He is among those who have criticised ABB's leadership of the consortium to build south-east Asia's biggest dam, which will flood large areas of rainforest and displace thousands of indigenous people.

ABB said last night: "We have not put any pressure on the academy. It is their decision. We have not had any contact with them."

## THE LEX COLUMN

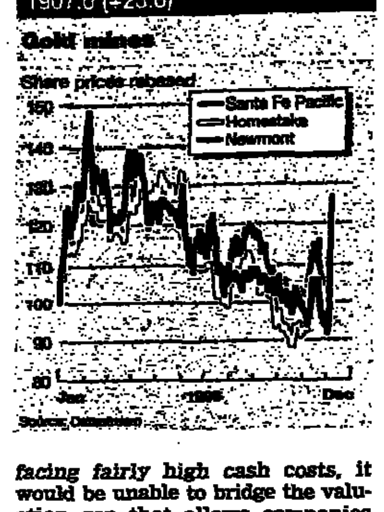
# Electronic warfare

Philips has got itself into a frightful twist over Thomson Multimedia's privatisation. After denying it was complaining about the French government's plan to inject FFr10bn ($1.9bn) into the near-bankrupt consumer electronics group, it wrote to the European Commission expressing its concern that this might amount to a "serious potential distortion to competition". The commission certainly viewed the letter as a complaint, but the Dutch electronics group is denying it was anything of the sort.

The problem seems to be that Philips wants Thomson tied in knots but without its fingerprints on the rope. Last week's postponement of Thomson's privatisation will not change the fact that Multimedia needs a recapitalisation. But Philips must be hoping that, as a quid pro quo, the commission will insist it cuts capacity. After all, the Dutch group is having to shed thousands of jobs in response to wafer-thin margins in the consumer electronics industry. A resurgent Thomson fighting aggressively for market share is the last thing it needs.

On the other hand, Philips has many interests to protect in France. So it probably does not want to be seen to be telling tales out of school. Philips may also be sensitive to the fact that it too receives state aid – though not on the scale that Thomson is seeking. Complaining to Brussels looks dangerously like a case of the pot calling the kettle black.

FTSE Eurotrack 200:
1907.0 (+23.8)




### Gold merger

The gold industry is witnessing a dash for size and growth. Only the strong will survive in an era where mining companies are required to finance exploration activities across the globe. The proposed $2.3bn Homestake Mining/Santa Fe Pacific Gold merger has its roots in this logic.

So far, so good. The snag is that it is far from clear that Homestake would make a better partner for Santa Fe than Newmont Mining, which last week made an unfriendly offer for the company.

Whatever Homestake can offer in terms of reserves and production, Newmont can match. It also has a more impressive record on growth and exploration, and a better list of projects in the pipeline. There is a further issue: the new Homestake would have larger production, but could still find itself short of growth opportunities. Without these, and facing fairly high cash costs, it would be unable to bridge the valuation gap that allows companies like Placer and Barrick to trade on much fancier multiples.

Clearly, with Newmont's offer about 12 per cent below Homestake's, shareholders would currently do better to take the latter. But they could reasonably expect an auction to produce an even better price. Unfortunately, such competitive bidding is not encouraged by the $65m back-out fee Homestake and Santa Fe have agreed if either reneges. It is difficult to avoid the suspicion that Santa Fe management fears for its future if Newmont was to prove successful.

### UK insurance

There are good reasons why Britain's insurance sector is constantly abuzz with merger talk. It may seem perverse for big companies to respond to the threat from smaller competitors by getting bigger still. But when profitability is under pressure, even modest synergy benefits are worthwhile. Moreover, Royal Sun Alliance's merger has helpfully concentrated the industry's minds.

The snag is that the cost-cutting potential of insurance deals may be convincing, but it is not enough to justify hostile bid premiums. Friendly mergers are far more likely. And such deals are always tricky; management rivalries and valuation disagreements too often get in the way. Investors gamble on the likely outcome at their peril.

Even so, the market's latest enthusiasm – a merger involving BAT Industries' insurance interests – looks compelling. The reason is simple: BAT is under more pressure than most insurers to do something about its share price performance. However, investors should take two aspects of the latest speculation with a pinch of salt.

First, it would be odd indeed if BAT were to pool all its insurance interests with the same partner. Certainly Farmers, the US business, is unlikely to suit the same partner as BAT's UK businesses, Eagle Star and Allied Dunbar. But the really curious notion is that BAT would keep control of any merged insurance business, rather than spinning its share off. This would mean creating a yet bigger tobacco and insurance conglomerate – the last thing investors need.

### UK brewing

The referral of Bass's proposed acquisition of Carlsberg-Tetley to the UK's Monopolies and Mergers Commission is slightly puzzling. The obvious time for reviewing concentration of brewing power, and ties between brewers and pubs, was last year when Scottish & Newcastle acquired Courage. Moreover, the government appears concerned by a trend that appears inevitable; namely consolidation in a brewing industry that is offering pathetic returns on capital.

That said, the industry – apart from the deal's participants – will be delighted with this decision. Bass's big competitors will be hoping that either Bass is forced into punitive concessions before being allowed to expand a brewing oligopoly or that Carlsberg-Tetley is hobbled.

These are the two obvious outcomes. The MMC has been obsessed with horizontal integration between brewers and tied pubs. Bass may have to sell over 1,000 tied pubs, and possibly brands as well, in exchange for approval. Alternatively, if the deal is blocked, Carlsberg-Tetley will limp on with shrinking morale and declining market share.

At least the downside for Bass looks limited. If the deal collapses, it would lose £40m ($66m) but probably a once-mighty competitor as well. The real victim would be Carlsberg. Under an option agreement, the Danish company would end up with 85 per cent of a brewer, which would require intensive management surgery just to survive.

Additional Lex on Christmas shopping, Page 24

# Hong Kong lawmakers bid for posts in new assembly

**By John Ridding in Hong Kong**

More than half of Hong Kong's legislators have applied for seats in a new legislature to be selected by a Beijing-backed committee, raising the prospect of confusion and disputes ahead of next July's transfer of sovereignty.

Beijing's plan to replace the territory's elected legislature has prompted a protracted stalemate between Britain and China and has emerged as one of the most significant obstacles to a smooth handover.

It has divided the territory's political parties, with pro-democracy forces staunchly opposed to the formation of the new body.

Mr Chris Patten, governor of Hong Kong, has refused to co-operate with the planned legislature. He has described it as unnecessary and provocative.

However, Mr Tung Chee-hua, the shipping tycoon set to be named tomorrow as Mr Patten's successor, has backed the provisional legislature. He argues it is needed to avoid a vacuum in the wake of failure by Britain and China to agree a legislature to span the transfer of sovereignty.

China has claimed the provisional body's role will be limited ahead of the handover, but analysts said it would be difficult to avoid disputes and uncertainty.

"Two parliaments is not a recipe for stability," Mr Michael De Golyer, associate professor at Hong Kong's Baptist University, said. He described the prospect of parallel bodies as logistically complex and "morally sapping".

One western diplomat played down the scale of the problem. "It may make for some bizarre events, but I don't think it will shake confidence too badly," he said. "Most aspects of the transition appear to be proceeding quite smoothly."

By yesterday's closing date, at least 33 of the present 60 lawmakers had submitted applications. These include Mr Andrew Wong, president of the existing Legislative Council, who claims he could serve on both bodies without a conflict of interest. Chinese officials have signalled that about half of the 60 members of the new body could come from the existing legislature.

Members of the provisional legislature will be selected later this month.

## EU summit

Continued from Page 1

international crime will have at least the same importance to Europe's citizens as combatting unemployment today," he said.

President Chirac said drug abuse should be combatted by all means possible.

He singled out the Netherlands as a problem because of its "totally different legislation" compared with other member states.

## Rebound in world markets

Continued from Page 1

The US bond market was also relieved by employment data which pointed to a slowing economy, and firm Treasury bonds helped shares to rally. In late New York trading the 30-year Treasury bond was up about half a point while the Dow Jones Industrial Average, which closed 55 points lower on Friday, was up about 67 points at 6,449.40.

Asian markets were the first to show their relief yesterday with Tokyo's Nikkei 225 average gaining 1.6 per cent after Friday's 3.2 per cent drop.

A similar pattern was seen in Europe. At their worst on Friday, the leading European markets were down by 4-5 per cent. But by the close, they had cut the declines to about 2 per cent and yesterday they recouped about half of those losses. In London, the FTSE 100, which fell 88 points on Friday, gained 48.6 to 4011.6.

## FT WEATHER GUIDE

### Europe today

Most of the continent will remain cloudy and cold. Maximum temperatures will be around freezing as easterlies winds continue.

The UK will be milder but most regions will also be cloudy.

A low pressure area across the western Mediterranean will bring rain across Italy, south-eastern France and the western regions of the former Yugoslavia.

*Further east, it will remain dry,* especially in western Turkey which will have sunny periods.

Spain will have some sunny spells but Portugal will turn cloudy *with rain spreading from the west.*

### Five-day forecast

South-western Europe and the central Mediterranean will *continue unsettled with outbreaks* of rain.

A mass of cold air across northern Europe will steadily move south, keeping most of the continent cloudy and cold. By the end of the week, it will be wet.

HIGH · LOW · 1020 · 1010 · 1000 · 990

Warm front · Cold front · *Wind speed in KPH*

*Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands*

**TODAY'S TEMPERATURES**

| | Maximum Celsius | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Beijing | sun 6 | Caracas | cloudy 30 | Faro | rain 15 | Madrid | cloudy 10 | Rangoon | fair 32 |
| | | Belfast | cloudy 8 | Cardiff | cloudy 4 | Frankfurt | cloudy 1 | Majorca | fair 13 | Reykjavik | sleet 2 |
| Abu Dhabi | sun 27 | Belgrade | cloudy 3 | Casablanca | rain 20 | Geneva | cloudy 2 | Malta | shower 16 | Rio | fair 27 |
| Accra | fair 31 | Berlin | cloudy 1 | Chicago | cloudy 10 | Gibraltar | rain 15 | Manchester | cloudy 5 | Rome | rain 14 |
| Algiers | shower 16 | Bermuda | shower 20 | Cologne | cloudy 2 | Glasgow | cloudy 7 | Manila | cloudy 30 | S. Frsco | rain 14 |
| Amsterdam | cloudy 1 | Bogota | fair 18 | Dakar | fair 26 | Hamburg | cloudy 1 | Melbourne | fair 20 | Seoul | fair 6 |
| Athens | fair 13 | Bombay | sun 33 | Dallas | fair 26 | Helsinki | rain 5 | Mexico City | fair 24 | Singapore | thund 31 |
| Atlanta | sun 18 | Brussels | cloudy 1 | Delhi | sun 23 | Hong Kong | fair 20 | Miami | sun 25 | Stockholm | cloudy 4 |
| B. Aires | shower 27 | Budapest | cloudy 1 | Dubai | sun 27 | Honolulu | shower 25 | Milan | rain 5 | Strasbourg | cloudy 1 |
| B.ham | cloudy 4 | C.hagen | cloudy 2 | Dublin | cloudy 8 | Istanbul | fair 10 | Montreal | cloudy -4 | Sydney | fair 23 |
| Bangkok | cloudy 31 | Cairo | sun 21 | Dubrovnik | shower 13 | Jakarta | shower 31 | Moscow | cloudy 2 | Tangier | rain 17 |
| Barcelona | fair 13 | Cape Town | sun 24 | Edinburgh | cloudy 8 | Jersey | cloudy 6 | Munich | cloudy 1 | Tel Aviv | fair 20 |
| | | | | | | Karachi | sun 27 | Nairobi | fair 25 | Tokyo | cloudy 13 |
| | | | | | | Kuwait | fair 26 | Naples | shower 13 | Toronto | cloudy 3 |
| | | | | | | L. Angeles | shower 18 | Nassau | sun 26 | Vancouver | rain 8 |
| | | | | | | Las Palmas | fair 22 | New York | fair 7 | Venice | shower 8 |
| | | | | | | Lima | fair 22 | Nice | rain 14 | Vienna | cloudy 2 |
| | | | | | | Lisbon | rain 13 | Nicosia | fair 18 | Warsaw | cloudy 1 |
| | | | | | | London | cloudy 5 | Oslo | fair 2 | Washington | sun 9 |
| | | | | | | Lux.bourg | cloudy 0 | Paris | cloudy 2 | Wellington | fair 19 |
| | | | | | | Lyon | cloudy 1 | Perth | sun 28 | Winnipeg | snow -1 |
| | | | | | | Madeira | shower 21 | Prague | cloudy 0 | Zurich | cloudy 1 |

FINANCIAL TIMES
# COMPANIES & MARKETS
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## IN BRIEF

### $431m expected in Telecel sale

The heavily oversubscribed initial public offer of Telecel, Portugal's leading mobile phone operator, is expected to raise Es66.85bn ($431.3m) in the country's most successful global offering to date. Demand was over 17 times higher than the number of shares available to international investors in the float of 35.6 per cent of one of Europe's fastest-growing cellular phone operators. Page 18

**Swiss Re in $383m acquisition**
Swiss Re, the world's second-largest insurance company, has made its second big acquisition in less than six months with the SFr500m ($383m) purchase of Unione Italiana di Riassicurazione (Uniorias), Italy's biggest reinsurer. Page 18

**Southwest downgrades forecasts**
Southwest Airlines, the most successful of the low-cost US carriers, warned that fourth-quarter profits would be "substantially below" the previous year's record level in spite of a big increase in passenger numbers. The company's shares fell 75 cents to $24 in early trading as analysts downgraded their profit forecasts. Page 20

**Hayes to acquire 77% of Lemmerz**
Hayes Wheels International, the world's largest wheel supplier, has agreed to acquire a 77 per cent majority stake in Lemmerz Holding, a German family-held company. The $240m cash and stock offer is the latest in a spate of trans actions as the car components industry consolidates. Page 20

**Carclo down 20% after steel collapse**
Shares in Carclo Engineering Group fell by almost 20 per cent after the specialist steel and wire manufacturer issued a gloomy profits warning following "a collapse" in stainless steel prices. The company cautioned against expectations of a rebound in stainless steel by saying prices had failed to pick up after falling 40 per cent in the first half. Page 24

**Bass may gain $500m from hotels sale**
Bass, the UK drinks and leisure group, said it was seeking to dispose of its company-owned Holiday Inns in North America. Analysts estimated it could receive up to $500m from the sale, which is being negotiated with Bristol Hotel Company of Dallas. Up to 81 hotels could be included in the deal, totalling 15,000-17,500 rooms. But they do not include Crowne Plazas or Holiday Inn Expresses. Page 25

**Companies in this issue**



**Market Statistics** http://www.FT.com



**Chief price changes yesterday**

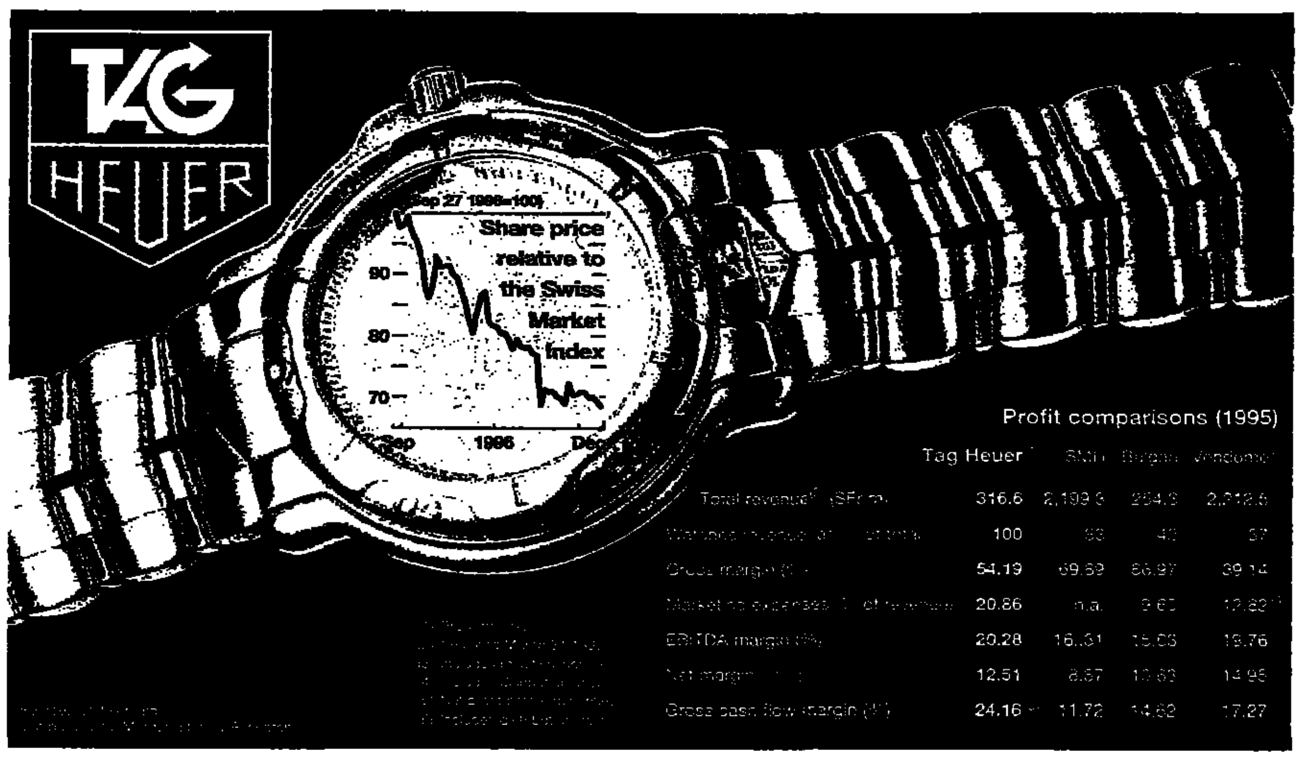
| | | | |
|---|---|---|---|
| **FRANKFURT (DM)** | | | |
| **Rises** | | | |
| Bayer | 63.05 | + | 2.55 |
| DLW | 97.8 | + | 2.8 |
| Deutsche Bk | 72.5 | + | 1.3 |
| MAN | 373 | + | 15 |
| PWA | 188.5 | + | 5.5 |
| VEW | 495 | + | 14 |
| **NEW YORK ($)** | | | |
| **Rises** | | | |
| Alex Brown | 66⅝ | + | 3¾ |
| Centennial Tec | 45⅝ | + | 4⅛ |
| Provident | 50 | + | 3 |
| **Falls** | | | |
| Galoob Toys | 23⅛ | – | 1½ |
| Quilmes Ind | 9 | – | 1⅛ |
| Speedway Mtsp | 19¾ | – | 2⅛ |
| **LONDON (Pence)** | | | |
| **Rises** | | | |
| Forward Grp | 130 | + | 18 |
| Hill & Smith | 72½ | + | 8½ |
| Lonrho Tst | 895 | + | 195 |
| Pan Andean | 48½ | + | 6 |
| Widney | 71½ | + | 9½ |
| **Falls** | | | |
| Microvitec | 20½ | – | 7½ |
| **TORONTO (C$)** | | | |
| **Rises** | | | |
| CDN Tire | 22.80 | + | 1.30 |
| MDS A | 25.90 | + | 1.15 |
| **Falls** | | | |
| Camdev Corp | 5.05 | – | 0.95 |
| Electrohome X | 8.50 | – | 0.75 |
| Goldcorp Cib | 11.10 | – | 1.10 |
| Kingsway Fin | 13.75 | – | 0.75 |

| | | | |
|---|---|---|---|
| **PARIS (FFr)** | | | |
| **Rises** | | | |
| Christian Dior | 775 | + | 23 |
| Club Med | 344.9 | + | 27.9 |
| Lagardere | 150 | + | 8 |
| Vallourec | 278.1 | + | 4.1 |
| **Falls** | | | |
| Bertrand Faure | 590 | – | 10 |
| Dollus Mieg | 167 | – | 5.4 |
| **TOKYO (Yen)** | | | |
| **Rises** | | | |
| Fuji Spinning | 538 | + | 37 |
| Hazama | 359 | + | 18 |
| KDD | 8080 | + | 180 |
| Kajima | 905 | + | 17 |
| Konica | 800 | + | 28 |
| Nissan Mtr | 797 | + | 33 |
| **HONG KONG (HK$)** | | | |
| **Rises** | | | |
| Dao Heng Bk | 35.1 | + | 1.8 |
| HSBC | 159.5 | + | 1.5 |
| Swire Pac A | 73.5 | + | 2.25 |
| **Falls** | | | |
| Kerry Props | 20.65 | – | 0.35 |
| Melbourne Entr | 55.5 | – | 1.25 |
| Sime Darby | 9.4 | – | 0.6 |
| **BANGKOK (Baht)** | | | |
| **Rises** | | | |
| Rockworth Pb | 47.0 | + | 4.0 |
| Siam Steel | 68.5 | + | 4.5 |
| Thai Airways | 42.5 | + | 3.25 |
| **Falls** | | | |
| Post Pblsh | 45.75 | – | 4.25 |
| Sasaki | 20.25 | – | 2.25 |
| Thai-Asahi | 25.0 | – | 2.25 |

New York and Toronto prices at 12.30

# 'Hot' Tag Heuer makes investors sweat

**William Hall** reports on the fall from stock market grace of the Swiss watchmaker




Tag Heuer sports watches are hot property. In Asia they are the second most counterfeited watch brand after Rolex and the company's sales have grown 28 per cent a year since a new management team took over in 1988. In less than a decade Tag Heuer has emerged from obscurity to become one of the top five Swiss watch brands after Rolex, Swatch, Cartier and Omega.

However, its reputation with young consumers is not matched in the investment community. Since its initial public offering on the US and Swiss stock markets just over two months ago, the shares have dropped by more than a quarter against a background of rising world share prices. Tag Heuer seems set to be remembered as one of the biggest international stock market flops of 1996. The story of its IPO is a cautionary reminder of what happens when a "hot" new issue gets too hot – investors get burned.

The SFr614m ($465.1m) issue, Switzerland's biggest for more than a year, looked like a winner. Salomon Brothers and SBC Warburg, the investment banks, were joint global co-ordinators and the issue had a strong supporting cast led by Morgan Stanley and HSBC Investment Banking. The main Swiss private banks acted as underwriters.

Salomon Brothers' Mr Jeffrey Feiner, one of Wall Street's top retailing analysts, described Tag Heuer as one of the most compelling growth stories in the luxury goods sector. Its rating should be more like that of a luxury goods company, such as Gucci, or a global brand like Coca-Cola, rather than a Swiss watchmaker like SMH, according to Salomon.

Tag's sponsors were preaching to the converted. Shares in Gucci, the revamped Italian fashion house, had nearly trebled since their issue at $22 in October 1995, and Saks, the New York department store, jumped 50 per cent on its first day of trading in May.

It was not hard to pigeon-hole Tag Heuer as another "hot" new issue that investors could not afford to ignore. The offer was expanded by more than a third and even though the price was set at SFr245, the top of the range, it was heavily over-subscribed. In the US the American depositary shares were issued at $19.55.

At the end of last week they were trading at $13.75 and SFr177.5 respectively.

What went wrong? Third-quarter sales were in line with expectations and Mr Ueli Trachsl, finance director, says nothing has changed since the IPO to warrant the stock market's reaction.

The company and its advisers blame "technical problems" for the fall in the share price. US investors were primed to rate Tag Heuer like a luxury goods stock with a price earnings multiple of more than 20.

Swiss investors preferred to rate it like SMH, the world's biggest watch company, which is trading on 14 times 1997 earnings. With liquidity split between the US and Swiss markets, the share price collapsed when US investors, supporting the higher rating, started to bail out.

Tag Heuer was particularly vulnerable since it came at the end of a string of "hot" luxury goods IPOs and fairly close to the year end. Riding on a "hot" new issue like Tag Heuer is an easy way for fund managers to boost their performance. They pay no commission going in and should gain a premium getting out.

Handlers of IPOs are aware of this problem and the key to a successful one is to make sure the bulk of it is placed in high-quality accounts.

The real blame rests with the company's advisers and its big shareholders, according to rival bankers. They say it was not ready to be brought to market. Its shareholders took a big chunk of equity out of the company in a recapitalisation less than a year ago and even though the IPO was designed to repair the balance sheet, it left Tag Heuer with negative equity of SFr70m and borrowings of SFr216m.

These issues could have been overcome if Tag Heuer's backers had spent more time educating investors. But the IPO boom was in full swing, multiples on luxury goods stocks had more than doubled and with SFr23m of fees on the Tag Heuer IPO, there was a rush to get it away before the market turned. The result was one of the fastest ever IPOs from start to finish, with little effort to curb market expectations that Tag Heuer was going to be another Gucci.

In fact, Tag Heuer's growth cannot be compared with Gucci's. In the first nine months of this year its sales rose less than 10 per cent while Gucci's climbed by two thirds. Gucci is trading on a multiple of roughly half its growth rate, while Salomon argues that Tag Heuer should trade at a premium to its growth rate of 15 per cent plus. According to Bank Vontobel's 1997 estimates, it is still trading on 16 times earnings after the fall in its share price.

Ms Camilla Reeves, a fund manager with Hambros, the UK investment bank, says the company's backers asked too high a price for the stock. This impression was compounded by the fact that when the issue was expanded, the bulk of the extra shares came from Doughty Hanson, a UK venture capitalist, which ended up selling more than four times as many shares as it had planned.

The fact that Mr Richard Hanson, chief operating officer of Doughty Hanson, is also Tag Heuer's chairman may have alarmed investors.

Tag Heuer's management must now try to repair the company's battered stock market image. Existing investors with big losses have to be cajoled to stay with the company, while would-be investors need reassuring that the fall in the share price does not mean there is something wrong with the company.

# Monsanto to split off chemicals division

By Laurie Morse in Chicago

Monsanto, the US chemicals and biotechnology company, yesterday announced plans to split off its chemicals division to shareholders and said it was setting aside $600m to $800m to cover associated charges. After the split, Monsanto will become a life-sciences company with $5bn in sales and a focus on the agriculture, food and healthcare markets.

Monsanto said the demerger into two publicly traded companies was intended to "unlock significant value in both". Some 1,500 to 2,000 employees, about 5-9 per cent of its global workforce, would be laid off as a result of the demerger. The job cuts will occur in the first quarter of 1997.

The chemicals division, as a stand-alone company, will have about $3bn in revenues. It makes and markets a range of speciality chemicals, including carpet fibres and window coatings. A name for the new company was not announced.

The company is seeking approval from tax authorities for a tax-free separation of the companies, and must also gain shareholder approval. The company said it hopes to accomplish the split by the end of 1997. In the meantime, the two organisations will operate separately within Monsanto, beginning early next year.

Monsanto's decision was influenced by the diverging of its two main businesses. While the chemicals businesses are quite profitable, the commodity nature of their products leave growth potential for the division far below Monsanto's high-technology life-sciences ventures.

"Monsanto now houses two distinct businesses with critical differences in their markets, products, research and investment needs and plans for growth," said Mr Robert Shapiro, Monsanto's chairman. "After careful consideration, we're convinced these businesses must operate separately to meet their maximum potential."

Monsanto's shares have rallied to record levels during the past 12 months on the strength of the company's high-technology agriculture products, including genetically engineered seeds. Its other remaining businesses will be food products, including the artificial sweetener brands Nutrasweet, Equal and Canderel, and the pharmaceutical company Searle.

The company's stock was down ½ cent at $40⅝ per share in early trading yesterday. Monsanto did not give any details of debt distribution between the two new companies, but said it expects the capital structure of the chemical company to result in an investment-grade credit rating from the first day of operation.

# Leading ski companies left in cold after poor results

By David Owen in Paris

Heavy early snow in the Alps promises a bumper skiing season this winter, but two of Europe's leading winter sports companies will be struggling to take advantage of it.

Skis Rossignol, the French ski maker, yesterday reported a near 14 per cent decline in first-half net profits from FFr148.5m ($28.6m) to FFr129m. The company also warned its results for the year to end-March 1997 would come in below the FFr115.7m reported last time.

The announcement came a week after rival Salomon, the world's largest manufacturer of ski bindings, said it expected its 1996-97 results excluding exceptional items to be about the same as last year's FFr207m.

Yesterday's announcement sent Rossignol shares down FFr2.90, or more than 2 per cent, to FFr137 on the Paris stock market. Salomon shares rose FFr1.80, or 0.4 per cent, to FFr444.80, but they have fallen markedly since peaking at close to FFr490 in October.

Both companies have been hit by diversification costs.

Rossignol is investing heavily this year in a product development programme geared towards the snowboarding, parabolic ski and rollerskating markets. The company expects to launch a Rossignol roller skate in 1997. But it said that although the world market for winter sports equipment was declining, it managed to "reinforce" both its sales and market shares in all product lines.

Salomon's diversification costs are expected to increase to some FFr80m this year from FFr15m in 1995-96. In its first half it experienced a 20 per cent decline in the Japanese alpine skiing market and a strong performance from its Taylor Made golf clubs. Like Rossignol, Salomon is planning to launch a new roller skate – at the start of 1998.

First-half sales at Salomon registered a strong 18 per cent increase from FFr1.71m in the six months to end-September 1995 to FFr2.02bn this time.

Rossignol sales advanced 6 per cent from FFr1.14bn in the first six months of 1995-96 to FFr1.21bn in the most recent period.

# Fiat shares fall as Rome rejects idea of sales incentives

By Haig Simonian in London and John Simkins in Milan

Shares in Fiat, the Italian cars and industrial group, fell by 1.4 per cent yesterday after Mr Romano Prodi, the prime minister, disappointed the company's hopes for a special incentive programme to stimulate car buying and boost sluggish demand.

Mr Prodi, speaking in at the Bologna motor show at the weekend, acknowledged the government had been considering ways to boost the car market. However, he said it would be wrong "to put the laws of the market under tension".

Mr Prodi is thought to have been influenced by developments in France, where two car incentive programmes stimulated sales by domestic carmakers, but also attracted unprecedented amounts of imports.

The French scheme has also been criticised for unbalancing the market. Demand for cars fell by 21 per cent in November – the first month to feel the full effects of the programme which ended in September.

Mr Prodi said: "The French government now has the worry of 60,000 potentially unemployed workers in the car industry."

In an attempt to adjust to lower sales and cut costs, Renault and Peugeot-Citroën, the two leading French carmakers, recently asked the government for help in reducing jobs through early retirement packages.

So far, four European countries have introduced incentive schemes, while a number of others have toyed with the idea. A Spanish programme helped boost the market during the recession and provide work at the country's car factories, which are all owned by foreign manufacturers. Smaller programmes in Ireland and Denmark have also been judged broadly successful, partly on environmental grounds.


Cesare Romiti: action needed to boost consumer confidence

Mr Prodi's comments triggered a sharp reaction from leading industrialists.

Mr Cesare Romiti, Fiat's chairman, said the government needed to take action to boost consumer confidence. "It is necessary to relaunch the economy, stem the worrying growth of unemployment, support commerce and industry and stop the fall in consumer demand," he said yesterday.

EUROPEAN NEWS DIGEST

## Flughafen Wien sees downturn

Flughafen Wien, the Vienna airport authority, warned yesterday it expected net profits to fall about 10 per cent this year because of high depreciation charges for its recent expansion and additional costs during the harsh winter.

The company forecast 1996 profits of about Sch600m ($55.4m) after record earnings of Sch673m in 1995. Revenue rose only 4 per cent this year, while costs jumped 8 per cent. Flughafen's share price climbed Sch10 to Sch522, while the market rose 1.26 per cent. Expectations of lower earnings and a looming capital increase to finance further construction had caused the stock to lose half its value this year.

But the airport authority said it would not need to raise fresh capital until 2000, even though annual traffic growth is expected to stay at or above 8 per cent in the coming years. The next physical expansion of the airport facilities was planned for 1999, it said. Operating profit margins *should climb from 18 per cent in 1996 to 25 per cent in 2000*, and the return on capital employed should rise from 12.5 per cent to 15 per cent. *Eric Frey, Vienna*

## Czech bank sale approved

The Czech National Bank, or central bank, has approved the sale of Interbanka, a small commercial bank, to Bayerische Landesbank Girozentrale of Germany and Kulkereskedelmi, a Hungarian bank controlled by BLG. It is the first move in what is expected to be a hectic period of consolidation in the Czech banking sector.

BLG is to take a 55 per cent stake in Interbanka, one of the few small-tier Czech banks not to experience severe loan-loss problems. Kulkereskedelmi will hold the other 45 per cent. No terms were disclosed. *Vincent Boland, Prague*

## Philips to sell US plant

Philips, the Dutch electronics group, is to sell its US television plant to local suppliers, in an outsourcing arrangement which forms part of the Fl 800m ($463m) restructuring of its Sound & Vision unit. The facility, in Greeneville, Tennessee, produces more than 1m sets a year with 1,800 employees. Its assets are being bought by GC Capital, a vehicle for Mr George Taylor and Mr Charles White, who supply wooden cabinets for units produced at the site. *Gordon Cramb, Amsterdam*

## Bilfinger downbeat on profits

Bilfinger + Berger, the German construction company, said new orders in the 10 months to October had risen from DM8.1bn to DM8.3bn ($5.4bn). The order backlog totalled more than DM10bn at the end of October, compared with DM9.5bn last year. Earnings would not reach last year's levels because of difficult market conditions in Germany. The company posted a net profit of DM105m in 1995. *AFX News, Mannheim*

## Oerlikon-Buehrle sales slip

Oerlikon-Buehrle, the Swiss weapons and engineering group, said sales in the 10 months to October fell 1.9 per cent to SFr2.9bn ($2.2bn). Orders fell 2.7 per cent to SFr2.8bn following the sale of several companies, notably Pfeiffer. It said operating results and net income improved significantly. The company expected 1996 sales of SFr3.7bn, with the full-year operating results "significantly better" than last year's SFr139m. *AFX News, Zürich*

## FT/S&P World Indices

The committee which oversees the FT/S&P-Actuaries World Indices announced last night it is to change the rules governing the weighting of privatisation stocks in the indices. Until now, if more than 25 per cent of a company's issued share capital is made available to investors, then the whole share capital has been included in the indices. But the committee has decided that this can create unrealistic company weightings, which are unattainable by investors.

In future, when governments make available less than 50 per cent of the shares, only the "free float" shares available to the public will be included in the indices. Above 50 per cent, the full issued share capital will be included. The rule will not apply to existing constituents, apart from Deutsche Telekom and Eni, which were recently included in the indices at their free float weightings, respectively 25.35 per cent and 30.8 per cent.

*Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com.*

# Portuguese phone IPO heavily oversubscribed

By Peter Wise in Lisbon

A heavily oversubscribed initial public offer of Telecel, Portugal's leading mobile phone operator, was expected to raise Es66.85bn ($429.6m) yesterday in the country's most successful global offering to date.

Demand was more than 17 times the number of shares on offer to institutional investors in the sale of 35.6 per cent of one of Europe's fastest-growing cellular phone operators, analysts said.

The offering, Portugal's biggest ever private-sector IPO, was priced at Es7,950 a share, valuing Telecel at Es170.9bn. This was at the top end of the pre-determined range of Es6,900 to Es8,100.

Analysts expect the price to rise further when trading begins today in Lisbon, London and New York. "Many institutions, who were prepared to pay up to Es8,100 a share, will be seeking to increase their allocations," said a London-based broker.

The global co-ordinators, Lehman Brothers, SBC Warburg and Portugal's Banco Essi, are widely expected to exercise an option to increase the offering by up to 10 per cent.

This would increase the sale from 35.6 to 39.1 per cent of the company and increase the amount raised from the sale from Es60.77bn to Es66.85bn.

AirTouch, the US mobile phone company, increased its stake in Telecel from about 38.8 to 51 per cent through the offering. The selling shareholders, Portugal's Espirito Santo financial group and the cork company Amorim, grouped together in the holding company Telepri, reduced their holding from 62.3 to 10 per cent.

Demand was strongest from international institutions, who were offered about two-thirds of the shares. The Portuguese institutional and retail tranches were both about four times oversubscribed, analysts said.

"Demand was on the same level as the recent record-breaking offering of Portugal Telecom, even though the share price was very high for the Portuguese market and there were no discounts for small investors."

A Lisbon analyst said Telecel had been valued at a 1997 p/e ratio of about 14.2 at the lower end of the price range and 16.7 at the upper limit, on a 1997 earnings per share forecast of Es485, up from an estimated Es324 this year.

This is seen as attractive for a profitable, high-growth company in a young market where there is only one other competitor. Analysts say it compares favourably with the outlook for companies in markets such as the UK where mobile operators are fighting fiercely for market share.

# Swiss Re in SFr500m Italian acquisition

By William Hall in Zurich and John Simkins in Milan

Swiss Re, the world's second-largest insurance company, has made its second big acquisition in less than six months with the SFr500m ($383m) purchase of Unione Italiana di Riassicurazione (Unioriss), Italy's biggest reinsurer.

Swiss Re, which has just completed the SFr3.2bn acquisition of Mercantile & General Re, a UK reinsurance company, is buying Unioriss from Istituto Nazionale delle Assicurazioni, Italy's biggest life assurance company.

Swiss Re has also bought a 0.75 per cent stake in Ina. The two companies have agreed to co-operate closely in other areas, including the development of life assurance products and the provision of life and health reinsurance to Ina.

Unioriss, which has gross premiums of L1,504bn ($988m), used to be owned by all of the leading Italian insurance companies before it was bought by Ina. However, Ina made clear in its 1994 privatisation prospectus it wanted to sell Unioriss as it did not regard it as part of its core business. Some 78 per cent of Unioriss's business is non-life reinsurance with the rest being life reinsurance.

Under the deal Swiss Re will buy 49 per cent of Unioriss in early 1997 and the balance at the end of the year after the business has been restructured and the reinsurance business separated from the problematic real estate investments.

The real estate and securities will be kept largely by Ina in a 100 per cent controlled company. However, some of the real estate will be demerged into a company 51 per cent controlled by Swiss Re and 49 per cent by Ina and sold as soon as real estate market prices improve.

The purchase price is based on a net asset value of Unioriss at the end of 1996 plus a payment for goodwill of about SFr170m, mostly for the value of the in-force life business of Unioriss.

# Ciba's chemicals arm gets its head

## Freed from its shackles the specialities business is adopting a new ethos

Most managers would not hesitate if faced with the choice between working for a fast-moving drugs and agrochemicals company or for a chemicals group with stagnant markets and cyclical profits.

But staff caught up in the Novartis merger between Ciba and Sandoz have spurned the opportunity to be part of the world's second-largest drugs company, opting instead for Ciba's $5.2bn chemicals spin-off.

Not least among the chemical company's attractions is its future autonomy. In spite of strenuous efforts to present Novartis as a joining of equals, Sandoz is emerging as the dominant partner. This holds greater significance because Sandoz is a more autocratic and hierarchical organisation than Ciba.

Thus, for many at Ciba, the chemicals company presents the chance of independence.

"All of a sudden, we have a chance to shape our own future, and determine our own fate," says Mr Hermann Vodicka, who will be the chemical company's chief executive.

This sense has been enhanced by the free-thinking personal style of Mr Rolf Meyer, the company's chairman designate.

Such a combination has done nothing to lighten the commercial pressures facing the new company. But it has changed the way in which they are being approached.

The commercial pressures are considerable. True, Ciba Speciality Chemicals, which has been cleared to keep the name of its forebear, recorded an operating margin of more than 11 per cent last year. But the performance of its five new divisions varies considerably, and even the best face problems of maturity.

The largest division will be additives for plastics, lubricants, paints, photographic and printing chemicals. Ciba leads the world in this field, but the business is an elderly one. Similarly, in pigments, the company is the front-runner, but its most important technology is about to come off patent.

In specialist plastics, it is a solid performer, and seems set to remain so.

But, in textile dyes, where it is acknowledged as technologically superior, it faces a miserable market. And in its chemicals division, it has been described as "a diamond in the rough", with first-rate technology, but poor returns following from inadequate marketing.

In the face of this litany, it is easy to see why the glamorous pharmaceuticals and agrochemicals businesses might wish to be unshackled.

But the state of the industrial businesses reflects their role, until now, in supporting the life science stars.

"People invested in Ciba for its pharmaceuticals and agrochemicals," says Mr Reinhard Neubeck, head of additives. "The role in life of speciality chemicals was to generate cash."

The chemicals businesses are now escaping this yoke, triggering real excitement at the opportunities for improving profitability and increasing scale. Even textile dyes may face a brighter future, through further alliances such as its plant-sharing arrangement with BASF.

As managers are adjusting to this change in emphasis, the company's new executives are designing a framework to assist them.

Mr John Cheesmond, who will be head of strategic planning, cradles a 150-page benchmarking study, assessing best practice in asset management, the value chain and cost structures. One of his personal projects is the new executive incentives scheme.

Another strategy to motivate executives is median-level executive pay, supplemented only where ambitious performance targets are attained.

Such schemes are not novel, but the proposal that qualification for a share-option incentive scheme for the company's top 200 executives will depend on them investing between one and two years' gross salary in company shares is, for a European company, groundbreaking.

Likewise, the company is adopting a pension scheme based on best US practice.

At an operational level, it is replacing the 40 to 60 national organisations that had evolved under the old Ciba with 14 to 16 regional businesses. Each will be backed up by a slimline business support unit.

Research and development is being hived out to each business, and a central R&D steering committee has been set up to distribute company-wide projects.

"We are taking the best from every model we could find," says Mr Cheesmond.

The new company is also examining its legacy of 12,000 trademarks and 22,000 patents. In an unprecedented exercise, taking 50 people several months, it is cataloguing them all with a view to exploiting them more thoroughly.

For Mr Meyer, currently Ciba chief financial officer, the word of the moment is entrepreneurial.

He credits the new management with reinventing the chemicals operation, but it is Mr Meyer who has been the greatest driving force.

He has been involved from the beginning – during Rio Negro, the internal study on enhancing shareholder value that first considered a chemicals spin-off, and then through Rio Grande, which saw talks opened with Sandoz.

He sat through meetings in seedy hotels in Germany, and then France, booked under "neutral" names and paid for in cash, so no-one could trace the participants. He selected the executives to be brought into the loop, and then ensured they signed secrecy agreements.

Indeed, the secrecy was spectacular: even the Swiss authorities, deep in negotiations over a way of launching the new chemicals company without incurring a tax bill, did not know the true scale of the imminent restructuring.

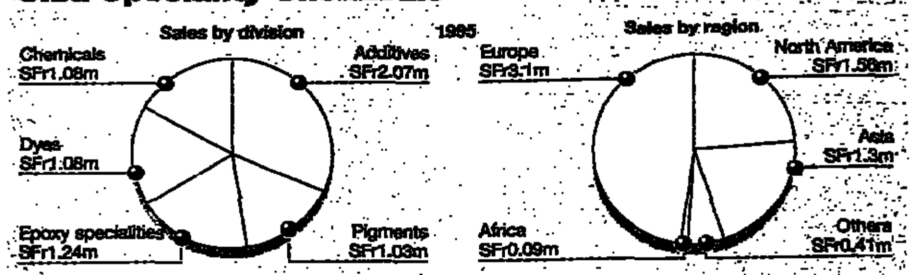
Mr Meyer's delight at the spin-off is obvious as he describes how it all began. Nor is it hard to spot the link between his leadership and the level of hope and idealism that has taken hold at the chemicals company.

In one of his earliest letters to colleagues about the spin-off, he opened by summarising the company's guiding philosophy as "just do it". Seven pages later, the closing attachment was "Edward de Bono: The Six Thinking Hats diagram".

Ironically, the breadth of this approach is more typical of the pharmaceuticals sector, than of chemicals: a bonus carried forward from an era of integration.

**Jenny Luesby**

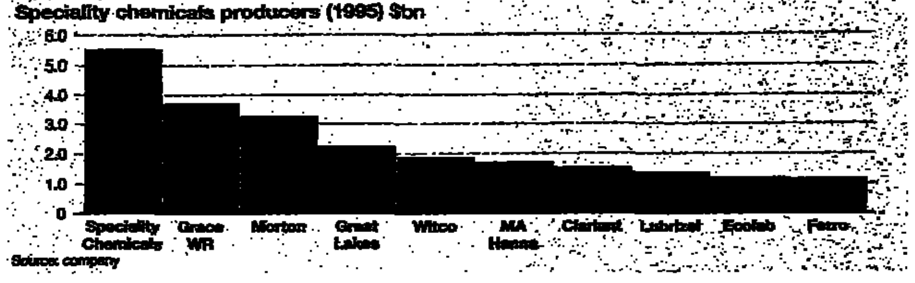
Ciba Speciality Chemicals




Sales growth rates

| | 1991 | 1992 | 1993 | 1994 | 1995 |
|---|---|---|---|---|---|
| **Additives** | | | | | |
| Sales (SFrbn) | 1.98 | 2.07 | 2.10 | 2.22 | 2.07 |
| Growth rates (currency adj.) | 2% | 4% | 0% | 13% | 2% |
| **Chemicals** | | | | | |
| Sales (SFrbn) | 1.27 | 1.30 | 1.30 | 1.22 | 1.08 |
| Growth rates (currency adj.) | 3% | 0% | 0% | - | -3% |
| **Dyes** | | | | | |
| Sales (SFrbn) | 1.42 | 1.42 | 1.42 | 1.32 | 1.08 |
| Growth rates (currency adj.) | -1% | 1% | 0% | -1% | -10% |
| **Epoxy specialities** | | | | | |
| Sales (SFrbn) | 1.3 | 1.3 | 1.25 | 1.24 | 1.24 |
| Growth rates (currency adj.) | -2% | 0% | -4% | 6% | -11% |
| **Pigments** | | | | | |
| Sales (SFrbn) | 0.95 | 1.05 | 1.07 | 1.09 | 1.03 |
| Growth rates (currency adj.) | 5% | 11% | 3% | 9% | 3% |

Speciality chemicals producers (1995) $bn




Source: company

# Viag unit in US plastics purchase

By Ralph Atkins in Bonn

Schmalbach-Lubeca, a subsidiary of German conglomerate Viag, yesterday announced it was taking over the PET plastics business of Johnson Controls, the diverse US group, in a deal understood to be worth about DM1bn ($649m).

The acquisition will enable Schmalbach-Lubeca to challenge Crown Cork & Seal, the US-based packaging group, for world leadership of the PET sector. PET is a polyester-based plastic used *for drinks* bottles as well as pharmaceutical and surgical uses. After the deal is completed, Schmalbach and Crown Cork & Seal will each have world market shares of about 15 per cent.

Mr Hanno Fiedler, Schmalbach-Lubeca chairman, described the deal, which is *subject to regulatory* approval, as an "important step" in restructuring Schmalbach, which has suffered in recent years from Germany's relatively poor economy. It follows the group's creation last month of a metal packaging joint venture with Pechiney of France.

Pechiney and Schmalbach are to sell a 60 per cent stake in the metal packaging venture to Doughty Hanson, a UK investment company. Proceeds from the sale will help Schmalbach fund yesterday's Johnson Controls deal. The amount paid to the US company is not being revealed at this stage, but Schmalbach described reports of a DM1bn price tag as "not really wrong".

Schmalbach was advised by Bankers Trust in London. Johnson Controls refused to disclose its advisers.

Johnson Controls is based in Milwaukee, Wisconsin, and supplies automotive equipment, control systems and services for non-residential buildings and plastic packaging. The plastic container division acquired by Schmalbach has sites in north and south America as well as Europe, and has an annual turnover of more than DM1.2bn.

Johnson Controls said the sale would allow it to avoid a secondary stock issuance which it had been considering to help fund the $1.35bn acquisition of Prince, an automotive interiors supplier, which was completed on October 1.

Schmalbach described its acquisition as "geographically complementary" to its existing PET business, which is based in Europe and Asia and has annual turnover of about DM600m. However, the company said it was too early to say whether some locations would be closed after the two groups are combined in January.

Mr Fiedler said the deal with Johnson Controls would give Schmalbach access to "strategically important" American markets.

# Fare-yield fears prompt Southwest warning

By Richard Tomkins in New York

Southwest Airlines, the most successful of the low-cost US carriers, yesterday warned that fourth-quarter profits would be "substantially below" the previous year's record level in spite of a big increase in passenger numbers.

It blamed a combination of high jet-fuel prices, which it said had risen 25 per cent since this time last year, and an increase in the proportion of leisure travellers flying at discounted fares.

The company's shares fell $⅞ to $24 in early trading as analysts downgraded their profit forecasts.

An earlier indication that profits could fall came in October when Southwest Airlines reported a 10 per cent decline in third-quarter profits, blaming higher fuel costs and the reimposition of a federal ticket tax. The company said it expected its fourth-quarter performance also to be affected.

This led analysts to predict that fourth-quarter earnings per share would fall from the previous year's 29 cents, when the company had net profits of $43.4m, to about 25 cents. However, it now appears that Southwest will report a much lower figure.

Some US low-cost airlines have recently run into financial difficulties, partly because of the aftermath of the ValuJet Airlines crash earlier this year, which shook some travellers' confidence in the safety of new carriers.

Southwest says it has not suffered in the same way as the new carriers, as it has been in business for 25 years. It also claims to be the US's safest airline, having never suffered a crash.

Mr Raymond Neidl, an analyst at Furman Selz, said: "Southwest's traffic, for the most part, is still very good, but it appears it might be coming at the expense of yield." Yield is the average fare paid.

"Airlines are trying to keep their load factors very high, and if the traffic doesn't materialise, they have to sell more of their high-priced seats at a discount," Mr Neidl said.

Mr Kevin Murphy, an analyst at Morgan Stanley, said that Southwest appeared to be suffering from its expansion into longer-haul routes.

"It's a market segment they are not used to, and it's come back to them that they are getting more leisure travellers than business travellers on these routes."

Mr Murphy said that establishing the correct business mix was a learning process that meant going out into the marketplace to see what the market would bear.

# Imsa ADS offering set to raise $150m

By Daniel Dombey in Mexico City

Mexico's largest equity offering this year was expected to be priced late yesterday or today, with the initial public offering of $150m of American depositary shares in Grupo Imsa, an industrial conglomerate from the northern city of Monterrey.

The company, which specialises in steel processing, is offering 12.3 per cent of its equity, with an over-allotment option to increase the issue by 15 per cent. Pricing is planned at $19-$21 per ADS. Half the issue will be sold in the US and Canada, with the remainder divided between Mexico and other international markets.

Of the capital raised, $100m will go to redeem preferred stock and the remainder will be used to pay off short-term debt. Imsa hopes then to be in a position to expand its international side. It has manufacturing and distribution operations in North and South America, and plans to complete the $30m acquisition of a steel plant in Argentina by the end of this month.

The group expects 1996 sales of $1.05bn, a 10 per cent increase on last year's total, and a net margin of 11 per cent, more than double last year.

Although the issue is thought to be reasonably priced relative to other steel companies, analysts said there could be downward price pressure because Imsa's car battery and construction products divisions, which together account for almost half of sales, have lower margins than its core steel processing business.

Imsa has been preparing to go public for some six years, but it was finally the peso devaluation of 1994 that made the chief shareholders push ahead on an equity offering.

"The crisis of 1994 made us give even more importance to having the necessary capital to compete on an international level," said Mr Rafael Serna, treasurer.

About 42 per cent of the group's revenues are from export sales or foreign operations, with the US its biggest market outside Mexico. Mr Serna said the company hoped to maintain the proportion of foreign revenues in spite of an expected improvement in the Mexican market next year.

The lead managers for the US and international offerings are Citicorp and PaineWebber, with co-managers Donaldson Lufkin and Jenrette, J. P. Morgan and Morgan Stanley. Accival, the Banacci group's brokerage, is the lead manager for the Mexican offering.

# Skies closing in for Canadian

## The airline may have to shrink to survive, says **Bernard Simon**

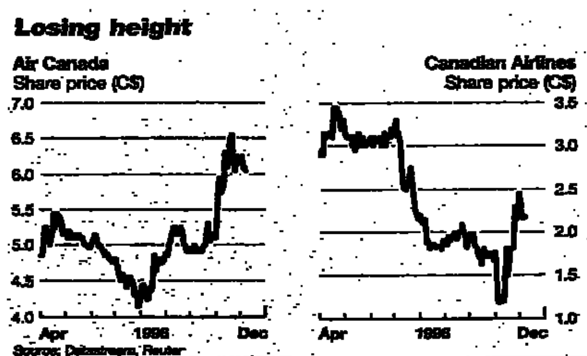
Anyone wanting to fly from Calgary to Vancouver has a choice of three airlines and no fewer than 33 non-stop flights a day. The choice is equally dizzying between other Canadian cities, notably Toronto, Montreal and Ottawa.

This competition may cheer passengers, but it has triggered a shakeout in Canada's airline industry, separating the weak from the strong.

The weakest at present is Canadian Airlines International, which at the weekend finally secured union agreement for its second rescue plan in three years. The plan requires concessions from 70 lenders and lessors; the federal government and the provinces of British Columbia and Alberta, Dallas-based American Airlines (which has a 33 per cent equity stake); and six unions representing the airline's 16,400 workers.

Mr Buzz Hargrove, president of the Canadian Auto Workers, the last union to agree to the restructuring, has urged Ottawa to end the "insane, destructive competition" in the airline industry by bringing back some of the regulatory curbs that have been lifted in the past decade.

With many flights between Toronto, Ottawa and Montreal carrying fewer than 20 passengers, Mr Hargrove said: "You couldn't pay for the food with the fares of passengers on the jet."




Two's a crowd: analysts say one national carrier is enough

Not everyone shares Mr Hargrove's proposed solution, but few disagree with his analysis of the problem. According to a Montreal-based analyst, "there's not enough market to sustain two national airlines".

Over the past seven years, Ottawa has lifted nearly all route and pricing constraints on domestic airlines. An "open-skies" agreement with the US, signed in 1995, has also cleared the way for head-to-head competition between US and Canadian carriers.

The full impact of the pact will be felt in February 1998, when remaining curbs on US airline services to Canada's three busiest airports – Toronto, Vancouver and Montreal – will be phased out.

Air Canada, the bigger of the two national carriers, has adjusted relatively smoothly to deregulation. It has responded aggressively to cut-price fares and new services offered by rivals.

Its shrewdest move was to open an array of cross-border routes, which minimised competition from the powerful US airlines by avoiding their "hubs" and concentrating on second-tier destinations, such as Minneapolis, Kansas City and Raleigh-Durham. Many travellers to these cities are business people paying full fares.

The Montreal-based carrier notched up record quarterly earnings – excluding one-time items – of C$149m (US$109.5m) in the third quarter to September 30. Domestic services contributed only 45 per cent of revenues. While domestic revenues were flat year-on-year, cross-border business grew 38 per cent.

Canadian Airlines entered the deregulation era with significant handicaps. It has never overcome the burdens imposed by its 1989 takeover of Wardair, a buccaneering charter airline. A transfusion of C$246m in equity from American Airlines in 1994 gave it only a temporary respite.

As the over-crowded Calgary-Vancouver route shows, Canadian has also faced an onslaught in its western stronghold. Besides Air Canada, it has had to contend with Westjet, an aggressive new carrier, also based in Calgary. One-way fares between Calgary and Vancouver – a 70-minute flight – have been chopped to about C$110.

Canadian has lost C$1.25bn in the past five years. Losses totalled C$49m in the first nine months of 1996, and shareholder equity has been virtually wiped out.

Canadian's plight has raised a delicate political issue for the Liberal government. Many western Canadians, never slow to accuse Ottawa of favouring Ontario and Quebec, have made the airline's survival a test case of the Liberals' commitment to the west.

The government has so far drawn the line at fuel-tax rebates, which would apply to any airline in financial difficulty, and would have to be paid for with tax loss carry-forwards. Mr David Anderson, transport minister, rejected Mr Hargrove's call for re-regulation, saying: "You'd discover you had far fewer jobs."

There is widespread agreement that Canadian's long-term survival requires more than fuel rebates, wage cuts and loan standstills.

As part of the restructuring, the airline intends to expand its Asian services 20 per cent and double cross-border flights, while cutting its domestic network 11 per cent and selling at least part of its regional operations in Ontario and Quebec.

If the latest restructuring succeeds, Canadian is expected to evolve into a smaller carrier, serving mainly western North America and Asia from its Vancouver hub. Air Canada could then justifiably declare itself the country's only national airline.

● Canadian Airlines International yesterday asked European and Japanese banks and aircraft lessors to accept a three to six-month delay in loan and lease payments so that it could complete its financial restructuring, writes Robert Gibbens in Montreal. Creditors are owed more than C$2bn. CAI now plans a national advertising campaign to re-assure the public.



# Hayes to acquire 77% of Lemmerz

By Tracy Corrigan in New York

Hayes Wheels International, the world's largest wheel supplier has agreed to acquire a 77 per cent majority stake in Lemmerz Holding, a German family-held company. The $240m cash and stock offer is the latest in a spate of transactions, as the car components industry consolidates.

"Car manufacturers are looking for global suppliers," said Mr Ron Cocuz, chairman and chief executive of Hayes. "It makes a lot of sense to combine our businesses to deliver additional value for customers and shareholders."

The new company, under the name of Hayes Lemmerz International, will have a global market share of 20 per cent, compared with Hayes' current 14 per cent share.

"This move aligns our strategy with that of our customers," said Mr Cocuz. Hayes wants to offer the "same product anywhere in world at local market prices".

The merging of the two businesses is expected to produce at least $20m in annual cost savings, derived from lower labour and material costs, Mr Cocuz said. The deal could increase earnings by 25 per cent, if these targets are met.

Lemmerz has already moved some operations out of Germany to Spain and Turkey, and that will be accelerated by a move into the Czech Republic following the acquisition. No plants are expected to close in Germany as a result, but there will be job losses as a result of greater automation. Mr Cocuz declined to estimate how many jobs would be lost in Germany.

The shift to the Czech Republic will also give the company access to lower cost steel, accounting for about $4m-$5m of the total cost savings, Mr Cocuz said.

The Hayes offer consists of $130m in stock and $110m in cash. If Hayes acquired the remaining 23 per cent of the company, the whole company would be valued at $310m, plus the assumption of $55m in net debt. The overall debt to equity ratio of Hayes is unchanged at about two to one.

Lemmerz, which is not publicly quoted, has annual sales of about $450m and earnings before interest, tax, depreciation and amortisation of $65m. Hayes, which had pro forma sales of $966m last year, merged with Motor Wheels Corp in July, undergoing a leveraged debt and equity recapitalisation. Joseph, Littlejohn & Levy, a buy-out partnership, owns 43 per cent of the company.

AMERICAS NEWS DIGEST

## Turner 'derailed Fox News deal'

Mr Ted Turner, founder of CNN, derailed negotiations between Mr Gerald Levin, Time Warner chief executive, and Mr Rupert Murdoch, News Corporation head, on the carriage of Fox News on Manhattan Cable, according to a report in tomorrow's edition of Vanity Fair magazine.

Carriage on Time Warner's showcase Manhattan system was vital to a successful launch of Mr Murdoch's Fox News Channel. When Fox was denied access – after Mr Murdoch believed he had a "done deal" with Mr Levin – it led to one of the biggest rows in the US media for years.

Mr Turner called Mr Murdoch a "scumbag", while Mr Murdoch's New York Post pulled CNN from its television listings page.

The January issue of Vanity Fair says that although Time Warner was required to carry at least one competing news network on Manhattan Cable, Mr Levin was planning to carry two – the new Microsoft channel, MSNBC, and Fox News.

However, Mr Turner argued that the long-term future of CNN would be threatened by such a move, which would also delay the roll-out of Turner Classic Movies and the Cartoon Network. "All while you shoot CNN in the figurative dick," Mr Turner is reported as saying to Mr Levin.

Mr Levin had allowed Mr Murdoch and MSNBC to believe they already had deals with Time Warner, but in the light of Mr Turner's opposition, Mr Levin then told Mr Murdoch one month before the launch of Fox News that Time Warner had chosen MSNBC instead.

*Raymond Snoddy*

## Microsoft to raise R&D spend

Microsoft said yesterday it would increase spending on basic research 300 per cent next year and boost its Microsoft Research unit from about 170 computer research scientists to as many as 500.

The US software group plans to spend about $330m over the next five years. It said the research would not be tied to specific commercial products, but would aim to provide a better understanding of how people use computers and allow researchers to explore a wide range of different areas.

Microsoft said it would share some of the results of its efforts with researchers at other firms and would collaborate with them on various projects. The move runs counter to a general trend under which many large corporations are cutting basic research in order to focus on commercial product development. Microsoft said it would spend $2.1bn in fiscal 1997 on the development of commercial products.

*Tom Foremski, San Francisco*

## MCA becomes Universal

MCA, the entertainment arm of Canadian drinks group Seagram, has changed its name to Universal Studios. The adoption of an updated version of the 81-year-old globe logo as the concern's trademark marks a further step in the consolidation of its diversified film, television, music, video and theme park interests.

Although certain well-established sub-brands will remain, each business sector – Universal Music, for example – will in future be immediately identifiable as part of the group, officials said.

The change follows 18 months of internal restructuring since Seagram bought control of MCA from Matsushita of Japan, according to Mr Ron Meyer, president and chief operating officer. "By presenting a cohesive identity we maximise the strengths of our assets under one global brand, which will enrich our marketing efforts across all our businesses," he added. MCA, formerly Music Corporation of America, was set up in the 1940s as a booking agent for big bands.

*Christopher Parkes, Los Angeles*

## Magna makes UK purchase

Magna, the Canadian-based international car parts manufacturer, has bought Caradon Rolinx, a British supplier of bumper assemblies with annual sales of US$130m, for US$33m from the Caradon conglomerate.

Magna also plans an acquisition in Brazil to supply parts to expanding Volkswagen and General Motors operations there. Magna, with plants in North America and Europe, has nearly US$500m cash available. It is posting record earnings and sales are running at an annual rate of US$5.5bn.

*Robert Gibbens, Montreal*

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# HK power groups study co-operation deal

By Louise Lucas in Hong Kong

Hong Kong's two biggest electricity groups yesterday took a step towards co-operation when China Light and Power, the dominant supplier, said it was willing to discuss the sale of electricity to Hongkong Electric.

The move comes as the government, with an eye on CLP's surplus capacity, is urging the company to defer its planned Black Point power station, approval for which was granted in 1992 before the slowdown in electricity sales began to be felt.

CLP argues that any further deferral of Black Point would involve extra costs to compensate equipment providers and rearrange financing.

Since then, Hongkong Electric, the monopoly supplier on Hong Kong island, has been given the go-ahead to extend its generating facilities. This triggered criticism from consumer groups and environmentalists, who believed greater efficiency could be achieved by enabling Hongkong Electric to utilise CLP's excess capacity.

Speaking to the Legislative Council's economic services panel yesterday, Mr Ross Sayers, managing director of CLP, said the company's preliminary analysis suggested that sales of 350MW of electricity to 2005 were feasible.

This would not entail additional capital expenditure costs for CLP, he said, contrary to the findings of government consultants who reckoned on transmission costs of HK$468m (US$60.5m). They effectively quashed the notion of electricity sales.

But CLP stressed its analysis was at a preliminary stage, and that contractual and other issues had yet to be discussed. Hongkong Electric said any deal would depend on pricing. Mr Sayers said this would have to be discussed by the government and the two companies.

Analysts believe CLP could gain by selling surplus electricity to its competitor. Largely because of the migration of manufacturers across the border, demand for electricity has not kept pace with CLP's forecasts in recent years, and the company now has excess capacity of 50 per cent.

While CLP serves the Kowloon peninsula, home to mass residential estates, light industrial factories, and retail malls, Hong Kong Electric is responsible for Hong Kong island and two less populated islands. But analysts say oversupply could force a change in the government's traditional policy of planning for the two areas separately.

One possible solution to the pricing dilemma would be for Hongkong Electric to make a capacity payment to secure the rights to an equivalent amount of generating capacity. This investment could be offset by an adjustment to the company's Scheme of Control, which specifies permitted profits as a percentage of net fixed assets, limits tariff rises and ensures supply and demand are matched. This return could then be deducted from CLP's return under its Scheme of Control – an arrangement which could hurt its shareholders.

However, any change to the Schemes of Control would require Beijing's blessing, as they run past July next year, when China resumes sovereignty over Hong Kong.

## ASIA-PACIFIC NEWS DIGEST

### South Korea bank ADRs postponed

South Korea has decided to postpone the overseas issuance of global depositary receipts by two banks until next year because of poor conditions in the domestic stock market. Boram Bank will issue a $70m GDR in February, while Korea Long-Term Credit Bank will launch a $200m GDR during the second quarter of 1997.

Korean banks were this year given permission for the first time to launch overseas issues to improve their capital bases before the banking sector opens further to foreign competition. However, a slump in the Seoul stock market has discouraged foreign investors. Korea Long-Term Credit Bank was forced to cancel a recent issue when overseas investors demanded a discount, while Cho Hung Bank had to reduce its GDR from $250m to $180m.

The finance ministry said it would limit the number of bank GDRs next year. Besides Boram and Korea Long-Term Credit Bank, they include a $150m issue by Commercial Bank of Korea in January and a $150m issue by Hanil Bank in March. *John Burton, Seoul*

### Coles Myer chief steps down

Coles Myer, Australia's biggest retailer, which has been under fire from shareholders over its poor operating performance, yesterday announced that Mr Peter Bartels, its chief executive, would leave the company at the end of the year. He will be replaced by Mr Dennis Eck, chief operating officer, who joined Coles in 1994 from the Vons supermarket group in the US.

Mr Bartels will also step down as a director of the retail group. The changes follow months of speculation about the future of Mr Bartels, who earned A$2.8m (US$2.23m) last year, making him one of Australia's best-paid executives. The remuneration was attacked at Coles' recent annual meeting by shareholders and employees – not least because it was paid in a year in which profits at the retailer fell by one-third to A$280.4m. *Nikki Tait, Sydney*

### Sega and Hyundai in tie-up

Sega, the Japanese maker of video game and arcade machines, is tying up with Hyundai, the Korean conglomerate, to sell arcade amusements in Korea. The new company, Hyundai Sega Entertainment, will be 75 per cent-owned by Hyundai's trading company arm, with the remaining shares to be held by Sega. It will use one of the Hyundai group's local plants in Korea to manufacture games machines using parts imported from Japan.

The deal follows Korean deregulation of games arcade operation. Sega is already expanding its arcade businesses on the back of buoyancy in the sale of commercial games machines. This year, the company has had success with arcade machines which enable users to print out photographs in sticker form. *Michiyo Nakamoto, Tokyo*

### Johnson Electric upbeat

Johnson Electric, the Hong Kong electronics company, said lower raw materials prices and a weaker yen would increase operating margins in the current year. Net profits for the first six months rose 38 per cent to HK$211.3m (US$27.3m) on sales up 24 per cent at HK$1.41bn. Sales to Europe climbed 37 per cent. The company reported robust demand for power tools, which rose 30 per cent, while automotive component sales were 27 per cent higher. *AFX-Asia, Hong Kong*

# Billionaire barons see shiny future in Bendigo

## New mining techniques have attracted big-hitting investors to an old Australian goldfield

When Mr Kerry Packer, reputed to be Australia's richest man, and Sir James Goldsmith, reputed to be one of the richest in the world, get together for a deal, one expects it to be big – in the same league, perhaps, as the £13bn ($21.34bn) they bid unsuccessfully for BAT, the UK tobacco to insurance conglomerate, seven years ago.

So what is it about Bendigo Mining, a small gold exploration company – market value about A$30m (US$23.9m) – operating in Victoria, Australia, that warrants their interest?

Each of the dollar billionaires owns nearly 10 per cent of Bendigo, but they are not the only big-hitters involved. Mr Peter Philip, previously chief executive of Newmont, the biggest US gold mining group, is chairman.

Day-to-day operations at Bendigo are the responsibility of Mr Doug Buerger, the managing director. He was general manager at Dominion Mining, one of Australia's large mining groups, before being invited by Mr Philip to take the job at Bendigo.

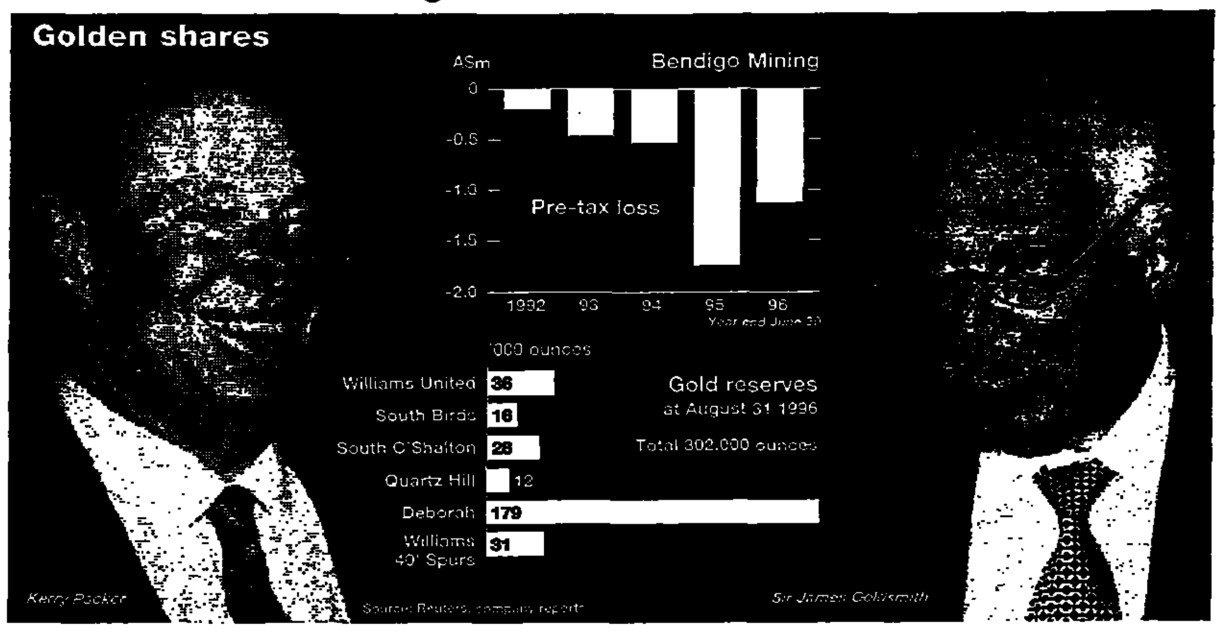
Both Mr Buerger and Mr Philip are South Africans – a clue to what the billionaires see in Bendigo.

The little company has bought licences to 90 sq kms of the old Bendigo goldfield, from which more than 20m troy ounces of gold was produced between 1851 and 1954. The Bendigo field remains Australia's second-biggest gold producer – only the Golden Mile at Kalgoorlie in Western Australia has a bigger output.

The old-time miners could not go very deep. Below 650 metres they were usually defeated by heat – they had no efficient ventilation system – and the water that poured in. Now the billionaires are hoping that the old-timers left a wealth of gold behind and that modern South African mining techniques can get it out at a profit.

During the field's heyday in the 1870s, more than 1,300 mines were working the Bendigo reefs. Their production peaked between 1872 and 1876 at more than 360,000 ounces a year, even using 19th-century technology.

In 1978, WMC, then known as Western Mining, returned to Bendigo and carried out trials. It spent A$20m on infrastructure – headframes, winders, treatment plant and evaporation ponds – before withdrawing in 1991. The billionaires bought into Bendigo Mining in 1993 and the company acquired the WMC assets.




Mr Buerger says it has been possible to investigate some of the old underground tunnels in the historic Deborah Line of Reef workings, the last to be developed on the Bendigo goldfields. The company has even held its annual meetings down there.

That will not happen again, for although Bendigo has so far explored only 40 per cent of the Deborah Reef, it has put together a resource of 180,000 ounces of gold and intends to build a tunnel to start underground mining and exploration again.

Bendigo has also acquired ground where modern exploration techniques have not been used before, taking the total to 450 sq kms, and will spend A$3.8m this year on exploration.

So far Bendigo has processed 2,000 tonnes of rock, all of which has contained more than 1.5 grams of gold per tonne. The company's objectives remain modest. Its target is annual production of 200,000 ounces a year and reserves of 1m ounces by 2007.

Mr Buerger says he and his team can bring South African experience to bear on the problem of accessing deep gold. "Our expertise is in getting to the ore body."

Bendigo also plans to crush ore underground, another South African technique – not previously used in Australia – designed to reduce the noise of mining in an urban environment.

Bendigo expects to produce its first gold in its 1997-98 financial year, not from underground but from an open pit, and it expects to mine between 20,000 and 25,000 ounces in about a year.

Mr Buerger says this will provide the cash flow to enable underground development and exploration to continue, adding that the company will not go back to shareholders for more money for some time – even if two of them do have very deep pockets.

**Ken Gooding**



# Softbank buys into Trend Micro

By Michiyo Nakamoto in Tokyo

Softbank, the fast-growing Japanese PC software and distribution company, is taking a 35 per cent stake in Trend Micro, a developer of computer virus protection software, for Y3.5bn ($31.1m).

Trend Micro, which is headed by Mr Steve Chang, a Taiwan-born entrepreneur, has headquarters in Tokyo and operations in the US. It supplies virus protection software to leading PC companies and Internet businesses, including Microsoft, Sun Microsystems, Netscape and Fujitsu.

The latest investment by Softbank is part of a spending spree that has given it a stake in more than 50 Internet-related businesses, including Yahoo!, the fast-growing US company that provides an Internet search engine.

"I believe dealing with [computer] viruses is a very important business as our society is becoming a network society," said Mr Masayoshi Son, head of Softbank.

With companies and other institutions becoming increasingly dependent on the PC, the threat of viruses was serious, he said.

Mr Son said the company's latest investment was in line with its strategy of forming alliances or joint ventures with leading Internet businesses to create a "Softbank Internet syndicate".

Softbank, which has interests in PC software distribution, publishing and exhibitions as well as broadcasting, plans to continue making small investments in Internet-related businesses, he said.

The company this year joined with Mr Rupert Murdoch, the media baron, to take a 21.4 per cent stake in a Japanese national TV network and set up JSkyB, a multi-channel digital broadcasting service in Japan.

It also invested $1.5bn in the largest US supplier of semiconductor memory products.

Such rapid and large investments have raised concerns about its financial stability.

"We have repeatedly said that we would refrain from making large investments that require raising funds on the capital markets or taking on loans, but [Trend Micro] does not fall into that category," Mr Son said.

"In areas other than Internet businesses, we will focus on JSkyB, but I have never said that I have finished investing in Internet-related businesses," he said.

Softbank has hidden assets worth Y10bn from its investment in Yahoo!, in which it has a 36.33 per cent stake. Yahoo! Japan, the joint venture company it set up in January, had been profitable from its first month of operation, Mr Son said.

Trend Micro, which plans to list its shares on the Japanese over-the-counter market in 1998, is not the industry leader worldwide, but it has an 80 per cent share of the Asian market for virus protection software and forecasts a 90 per cent increase in revenues and a tripling of Internet-related business sales in each of the next two years.

The company derives 50 per cent of sales from Japan.

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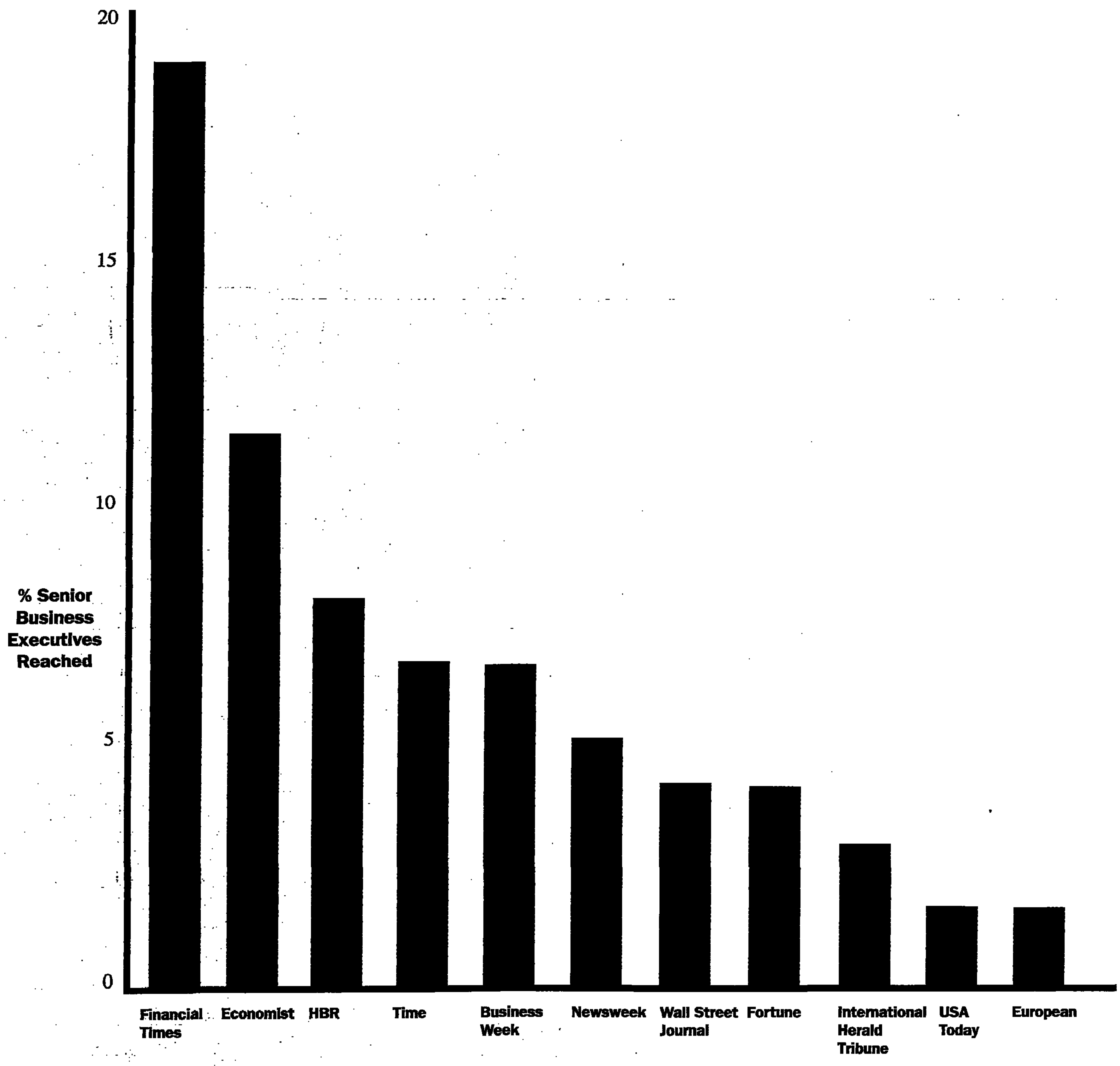
# No.1 in Europe




Source: EBRS 1996

**Financial Times.**
**World Business Newspaper.**

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on 10.12.96 Pool purchase price £/MWh | Final Prices for Trading on 12.11.96 Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 15.40 | 18.83 | 17.54 |
| 0100 | 16.85 | 17.50 | 18.41 |
| 0130 | 25.89 | 17.50 | 18.41 |
| 0200 | 25.69 | 17.50 | 18.41 |
| 0230 | 21.38 | 18.83 | 17.54 |
| 0300 | 16.85 | 16.49 | 17.41 |
| 0330 | 16.65 | 16.44 | 17.35 |
| 0400 | 16.85 | 16.83 | 17.54 |
| 0430 | 16.82 | 16.83 | 17.54 |
| 0500 | 16.82 | 16.83 | 17.54 |
| 0530 | 11.88 | 11.88 | 11.68 |
| 0600 | 11.73 | 12.16 | 13.07 |
| 0630 | 11.73 | 11.75 | 11.75 |
| 0700 | 16.77 | 16.37 | 17.29 |
| 0730 | 20.57 | 18.03 | 18.94 |
| 0800 | 20.86 | 18.04 | 18.96 |
| 0830 | 38.52 | 18.05 | 18.98 |
| 0900 | 38.96 | 18.11 | 19.06 |
| 0930 | 30.90 | 18.19 | 19.16 |
| 1000 | 39.69 | 58.02 | 59.00 |
| 1030 | 39.65 | 58.09 | 59.10 |
| 1100 | 30.88 | 18.45 | 18.50 |
| 1130 | 38.83 | 18.82 | 19.71 |
| 1200 | 26.88 | 21.03 | 22.21 |
| 1230 | 28.71 | 27.54 | 28.73 |
| 1300 | 25.70 | 27.57 | 28.77 |
| 1330 | 25.44 | 20.90 | 22.04 |
| 1400 | 25.34 | 20.85 | 21.97 |
| 1430 | 25.27 | 18.56 | 19.64 |
| 1500 | 25.25 | 18.49 | 19.55 |
| 1530 | 26.69 | 18.71 | 19.84 |
| 1600 | 51.86 | 23.26 | 25.70 |
| 1630 | 153.92 | 55.88 | 66.07 |
| 1700 | 253.71 | 120.98 | 138.01 |
| 1730 | 256.93 | 146.15 | 162.93 |
| 1800 | 199.09 | 118.05 | 130.22 |
| 1830 | 83.36 | 42.66 | 47.79 |
| 1900 | 45.87 | 25.82 | 27.90 |
| 1930 | 30.87 | 21.64 | 23.06 |
| 2000 | 26.86 | 19.68 | 20.69 |
| 2030 | 20.74 | 18.11 | 19.05 |
| 2100 | 16.84 | 18.05 | 18.98 |
| 2130 | 16.78 | 18.03 | 18.94 |
| 2200 | 16.51 | 18.02 | 18.94 |
| 2230 | 16.46 | 18.02 | 18.94 |
| 2300 | 15.09 | 18.02 | 18.94 |
| 2330 | 15.18 | 17.21 | 18.13 |
| 2400 | 15.09 | 16.37 | 17.29 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon final pool prices on that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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**THE NATIONAL GRID COMPANY plc**

**Reporting Of The Transmission Services Scheme Results**

The Transmission Services Scheme provides The National Grid Company plc ("NGC") with incentives to manage certain elements of the costs that arise as a result of the difference between actual generation despatched on any particular day and the idealised day ahead forecast generation schedule. These additional costs fall within what is known as "Uplift". NGC also has incentives to manage energy losses incurred on the high voltage transmission network within England and Wales. The Transmission Services Scheme was agreed between NGC and members of the Electricity Pool and runs for twelve months from 1st April 1996 until 31st March 1997 inclusive.
The total level of Uplift during October 1996 was £64,856,781.
The level of Uplift in respect of which NGC was incentivised, during October 1996 was £28,725,568.
The total payment to NGC, from Electricity Pool Suppliers, as a result of the Transmission Services Scheme operating in October 1996 was (£438,851).
The Transmission Services Scheme includes incentives to control Transmission Losses. The payment to NGC for the management of Transmission Losses in October 1996 was £169,863. Payments under the Transmission Services Scheme are made and determined in accordance with the Electricity Pooling and Settlement Agreements in England and Wales. The calculation of the payments is a highly complex process, which may be subject to revision or correction, and therefore no reliance should be placed upon these figures as an indicator of the performance of The National Grid Company plc, or for any other purpose whatsoever. The figures reported above are rounded to the nearest pound. Further information may be obtained by contacting Energy Settlements and Information Services Ltd, Telephone 0115 945 6789.
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International Airmotive purchase will double aerospace side

# BBA makes $289m US buy

By Tim Burt

BBA Group, the UK engineering company, yesterday announced plans to double its aerospace interests by acquiring International Airmotive, one of North America's largest engine overhaul and aircraft servicing businesses, for $289m.

The company, which is funding the deal from internal resources, also announced its first move into aircraft servicing in Europe by forming a maintenance joint venture at Zurich's international airport.

The deals mark BBA's first significant expansion since it abandoned a putative £2.4bn bid for Lucas Industries of the UK earlier this year.

The shares rose 9½p to 354p after Mr Roberto Quarta, chief executive, said: "The proposed acquisition reflects BBA's commitment to building its aviation division as a core business, thereby enhancing the overall balance of the group."

Of the $289m purchase price for International Airmotive, BBA is paying its management shareholders and Citicorp venture capital backers $185m, while assuming $104m of debts.

The acquisition is expected to lift BBA's gearing to about 70 per cent. But Mr Quarta predicted that strong cash generation would help reduce that total to about 40 per cent over the next 12 months.

Industry analysts estimated that International Airmotive – which serves only the business aviation and regional airline market – made operating profits of almost $20m on sales of $176.5m in the nine and a half months to September 30.

"This looks a very good deal for BBA and will restore investor confidence following its crack at Lucas," according to one analyst.

International Airmotive is expected to be integrated with BBA's existing Signature aviation services business in North America, which last year underpinned pre-exceptional operating profits of £50m in BBA's transportation division.

The business is based mainly in Dallas, where it has a large engine overhaul and servicing centre, and includes International Turbine Service – a distributor of aircraft parts – with sites in cities such as Phoenix, Charlotte and Pittsburgh.

Mr Quarta said the enlarged division would be North America's largest "fixed base operation" for the fast-growing business aviation market.

BBA also announced plans to establish its first such outlet in Europe with Zimex, a business aircraft maintenance joint venture at Zurich Airport. The aviation division is expected to have annual sales of about £400m.

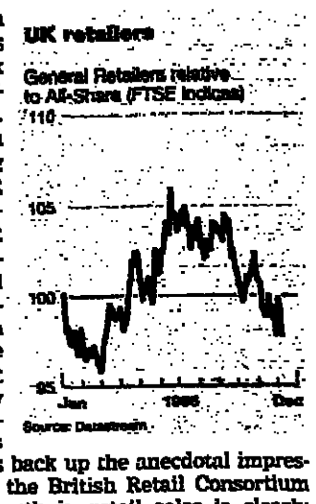
Brendan Corr

Roberto Quarta: commitment to building aviation division

LEX COMMENT

# Christmas shopping

If you believe what you read and hear, Santa has arrived early. All the talk is of jingling tills and traffic jams in the car park. There is evidence both that shops are attracting new customers, and that the average spend is significantly higher than last year. Is this then the signal to pile into retail stocks? Closer examination suggests caution would be in order: the news from the high street is by no means uniformly cheery. Sales signs in windows are a sign that all is not well. And the statistics back up the anecdotal impression: today's figures from the British Retail Consortium show that the rate of growth in retail sales is clearly slowing. Given this underlying picture, it is not surprising retail stocks have, in general, underperformed the market over the past six months, with the sector premium falling from roughly 25 per cent to about 20 per cent. The slowing sales trend has also been aggravated by the added concern that interest rates look to be on a rising trajectory. Ironically, the best chance of a steady performance for the sector probably lies in precisely this trend of solid, low inflationary growth. Christmas may drive share prices higher in the short term, but any rally is sure to founder soon after on the rocks of higher interest rates.




# Eurotunnel traffic tumbles 40%

By Tim Gordon

The fire in the Channel tunnel on November 18 cut monthly traffic through the tunnel by more than 40 per cent compared with the high traffic levels of October, according to Eurotunnel figures released yesterday.

Eurotunnel, the tunnel operator which two months ago reached an outline agreement on restructuring its £9.1bn ($14.9bn) debt, also said its Le Shuttle Tourist car-carrying service would restart today. Eurostar, the walk-on service operated by London Continental Railways, recommenced service on December 4.

The number of Eurostar passengers was 295,161, down about 40 per cent on October's 488,244, but up from 283,180 in November 1995. This brings to 4,605,556 the total number of passengers carried in 1996. Eurostar said that ticket sales were "picking up steadily" since the service restarted and that several trains were full last Sunday.

In November, 33,182 trucks were carried on the Le Shuttle Freight service, down about 45 per cent on October. This was also down 31 per cent on the 48,263 lorries carried in November 1995. In 1996, 519,003 trucks have passed through the tunnel.

# Virgin rules out Air Liberté bid

Mr Richard Branson's Virgin Express regional airline said it would not bid for Air Liberté, the ailing French regional carrier. The decision clears the way for British Airways to take over the airline.

Mr Jonathan Ornstein, Virgin Express's chief executive officer, said: "We do not have the kind of willingness to lose as much money as I think whoever buys this company will lose."

British Airways, in partnership with French Banque Rivaud, has been the leading contender in the race to acquire Air Liberté since announcing its plans in October to give Air Liberté a FFr630m ($119.3m) capital injection.

Mr Ornstein had said earlier he planned to top the BA bid, but Virgin Express never submitted any bid. "There are other opportunities we are looking at in France," he said.

Air Liberté, founded in 1988, lost FFr650m in the first nine months of 1996 because of a fare war and poor passenger numbers at the airline in the run-up to full liberalisation of French airspace.

BA and Rivaud's offer has to be approved by the creditors of Air Liberté, which has gone into administration.

# Further warning from Microvitec

By Paul Taylor

Microvitec issued its second profit warning in four months yesterday sending shares in the computer software and networking group tumbling to a new 12-month low of 20½p down 7½p on the day.

The company, which warned in August that full-year profits would be hit by difficulties at its Canadian arm and the collapse of a business partner, said yesterday that second-half results were "unlikely to break even due to the slower than expected transition to and market acceptance of new product ranges".

The products are related to its networking business which until recently had been one of the group's star performers. Analysts, who began the year expecting full-year profits of about £4m, had cut their estimates and did so again yesterday.

Microvitec reported flat pre-tax profits of £1.61m on turnover up 27 per cent to £33.8m in the first half in spite of lower sales at Sil-Com, the Canadian networking product business. It was hit by destocking by large North American computer and networking companies and a move away from the type of modules traditionally supplied by the group.

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## COMPANIES AND FINANCE: UK

# Three planned flotations cancelled

By George Graham and Motoko Rich

Three companies yesterday cancelled plans to float their shares on the London Stock Exchange, after Friday's market slide reinforced the increasingly negative sentiment of investors for new issues of small companies.

Wise Speke, the Newcastle stockbroker, and Discovery Inns, the pub group, both said they had decided to pull their flotations, citing weak market conditions after Friday's turbulent trading.

Morgan Crucible, the industrial ceramics and speciality materials group, said it had postponed the £40m ($65.6m) flotation of eight of its non-core engineering businesses.

One day's trading may not have been lethal on its own, but the sharp drop on Friday, which at one point left the FT-SE 100 index nursing a 4.2 per cent loss, dealt a further blow to the enthusiasm of investors who had already started to vet new issues more carefully.

"It was quite evident that it was becoming quite sticky. The climate for small companies, given where we are in the market, is not great right now," said Mr Andrew Beeson of Beeson Gregory, advisers to the Wise Speke flotation.

Mr Nigel Sherlock, Wise Speke's chief executive, said the market was "really rather thin" and Ockham Holdings, its parent company, could afford to wait.

Mr Paul Smith, chief executive of Discovery, said his company had planned to price its shares at the end of last week.

Institutional investors are now looking at about 40 pending new issues, and had already started to question the prices asked by some companies. With the risk of a general market collapse brought home to them on Friday, they are now even more demanding.

## Bass to make US disposals

By Roderick Oram, Consumer Industries Editor

Bass said yesterday that it was seeking to dispose of its company-owned and managed Holiday Inns in North America.

Analysts estimated that it could receive up to $500m from the sale, which is being negotiated with Bristol Hotel Company of Dallas. Up to 81 hotels could be included in the deal, totalling 15,000-17,500 rooms. But none are Crowne Plazas or Holiday Inn Expresses.

Bass might use the proceeds to buy small hotel chains in Europe, the Middle East or Africa to convert to Holiday Inns, where it has so far made slow progress in developing the brand.

Unlike the US, where many hotel owners are keen to pay for a strong franchise, the supply of potential franchisees outside the US is more limited.

Company-owned and managed hotels in North America contributed £96m ($157m) to Bass's operating profits in the year to September. The figure included profits from hotels owned by others which Holiday Inn managed so it was not clear how large a contribution Bass's own hotels made.

Bristol is 57 per cent owned by United/Harvey Holdings LP, a vehicle for selling limited partnerships to private investors. It has 39 hotels in the southern US of which 13 are franchised Holiday Inns.

## Unipalm recreated in buy-out

By James Mackintosh

Unipalm, the world's first Internet service provider to go public, has been recreated as a trading name after a $4.5m buy-out of UUNet Pipex's software distribution business.

Established in 1986, Unipalm, a UK company, listed on the main market in 1994 with a valuation of £20m. But the name was lost when it was taken over by UUNet, becoming UUNet Pipex.

The new Unipalm, operated by an off-the-shelf company, AwareNet, will distribute networking software, the so-called "open systems" that allow computers to connect across the Internet and within corporate networks or "intranets".

The managing director is Mark Norman, head of marketing at the original Unipalm, although he has most recently been working for Gandalf, the modem manufacturer. Other directors are Stephen Skilton, managing director of multimedia software developer First Option, and Tim Considine, a former banker. The buy-out was privately financed.

Mr Norman, who has taken on all 16 staff from Pipex's distribution division, expects to employ double that number in six months. He is also bullish about expansion prospects, aiming for a £10m turnover in the first year, and £30m the next. It is now £4m-£9m.

## Carclo shares fall 20%

By Tim Burt

Shares in Carclo Engineering Group yesterday fell by almost 20 per cent after the specialist steel and wire manufacturer issued a gloomy profits warning following "a collapse" in stainless steel prices.

The company cautioned against expectations of a rebound in stainless steel by saying that prices had failed to pick up after falling 40 per cent in the first half.

The concern was echoed by industry analysts, many of whom predicted small price rises next year, but warned that they were unlikely to regain the ground lost during 1996.

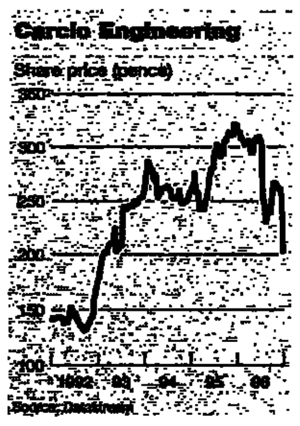
Carclo, announcing interim pre-tax profits down from £8.2m to £7.12m ($11.7m), warned that full-year figures would be significantly below City forecasts.

The shares fell 48½p to 202½p. Analysts shaved this year's profits expectations by almost a quarter to between £13m-£13.5m – against £12.8m last time.

The group vowed to accelerate the reorganisation of its card clothing activities in Europe, where it had spent £312,000 restructuring its German subsidiary in the first half.

Carclo Engineering

Share price (pence)



Source: Datastream

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| API Group | Yr to Sep 28 | 128 | (104) | 10.85 | (8.35) | 31.44 | (27.11) | 6.52 | Feb 10 | 5.93 | 11 | 10 |
| Carclo Engineering | 6 mths to Sep 30 | 74 | (76) | 7.12♠ | (8.2) | 8.1 | (9.2) | 3.44 | Mar 7 | 3.44 | - | 10.75 |
| CRT | 6 mths to Oct 31 | 55.5 | (48.1) | 3.37 | (1.75) | 2.4† | (1.71) | 1 | Jun 7 | 0.925 | - | 4.1 |
| Dallyvale | 6 mths to Sep 30 | 15.4 | (15.3) | 1 | (1.22) | 7.19 | (8.86) | 3□ | Jan 23 | 3 | - | 7.5 |
| Dwyer Estates | Yr to Sep 30 | 6.91 | (6.36) | 3.06 | (2.17) | 5.45 | (3.93) | 1 | Feb 27 | 0.8 | 1.4 | 1.175 |
| Electronic Data | Yr to Sep 30 | 14.3 | (12.6) | 2.52 | (3.08) | 6.64 | (7.53) | 1.53 | Apr 7 | 1.48 | 2.2 | 2.15 |
| Firth Rixson | Yr to Sep 30 | 139 | (133) | 5.06♠ | (5.82♥) | 2.2 | (2.9) | 1 | Mar 7 | 0.7 | 1.4 | 1 |
| Hill & Smith | Yr to Sep 30 | 80.7 | (87.8) | 2.92♠ | (5.43) | 5.85 | (9.94) | 4.1 | - | 3.84* | 6.2 | 5.81* |
| Ideal Hardware | 6 mths to Nov 1 | 75.6 | (60.9) | 3.75 | (2.93) | 11.69 | (9.15) | 5.2 | Jan 10 | 4.2 | - | 10.8 |
| Inner Workings Φ | 6 mths to Sep 30 | 0.141 | (0.187) | 0.272L | (0.116L) | 1.54L | (0.73L) | - | - | - | - | nil |
| Jarvis ⁂ | 9 mths to Sep 30 | 119.4 | (76.4) | 4.41 | (0.509) | 5.5† | (1.2) | 1.6 | Feb 5 | nil | - | nil |
| Leopold Joseph ★ | 6 mths to Sep 30 | 2.49‡ | (3.32) | 1.09 | (1.97) | 15.2 | (25.9) | 4.5 | Jan 2 | 4.5 | - | 19.5 |
| Mosaic Invests | 6 mths to Oct 31 | 1.79 | (3.15) | 0.419♥ | (3.34L♠) | 0.5 | (10.64L) | 0.5 | Jan 14 | 0.5 | - | 0.5 |
| Mulberry | 6 mths to Sep 30 | 13.6 | (12.4) | 0.475L | (0.082L) | 1.6L | (0.3L) | 0.75 | Jan 24 | nil | - | nil |
| Reed Executive | 9 mths to Sep 29 | 138.8 | (107.8) | 9.35 | (6.17) | 11.8 | (7.7) | - | - | - | - | 2 |
| Richards Group | 6 mths to Jun 30 | 10.25 | (9.29) | 1.33L | (0.175) | 15.92L | (1.55) | nil | - | 1 | - | 1 |
| Silmma | Yr to Sep 27 | 18.9 | (16.7) | 0.682 | (0.033) | 4.83 | (0.3) | 1.95 | Feb 26 | 1.3 | 3.25 | 2.6 |
| Unidare ♣ | Yr to Sep 30 | 131 | (152) | 4.44♠ | (8.14♥) | 14.01 | (31.81) | 12.26 | Mar 14 | 12.26 | 16.86 | 16.86 |

Earnings shown basic. Dividends shown net. Figures in brackets aincreased capital. ΦAim stock. §USM stock. *After adjusting for scrip issue. ⁂Comparatives for 12 months. ★Comparatives restated. ‡Net interest income. ♣Irish currency. □Gross throughout.

## CONTRACTS & TENDERS

**The Republic of Gabon**

**CONCESSIONING OF THE TRANSGABONAIS RAILWAY**

**Invitation for Expressions of Interest**

The Government of the Republic of Gabon, within the context of its economic reform programme and in accordance with the Law on Privatisation of February 13th, 1996, has decided to confer the running of the "Transgabonais" railway to a private operator by means of a concession agreement, which will have a minimum duration of 20 years. The concession company will operate rail transport services for wood products, various other types of freight and passenger services, and will be responsible for the maintenance and replacement of railway equipment, rolling stock and infrastructure.

*The Transgabonais Railway*

Inaugurated in December 1986, the Transgabonais railway is a single-line system with a total length of about 650 kilometers. The railway annually transports approximately one million tons of logs, 175,000 passengers and 200,000 tons of various other types of freight. In addition, the Transgabonais railway receives a track usage fee from the country's main manganese mining company which operates its own transport service over the rail system with its own equipment for the shipment of roughly one and one-half million tons of ore per year.

*Expressions of Interest*

The Government is looking for companies or consortia which have relevant technical expertise, have commercial experience in the rail transport sector, have expertise in concessions, and which have the financial resources to operate the railway. Interested parties for this railway concession are invited to express their interest in writing, either in French or English, to one of the addresses below, and to submit sufficient, relevant documentation to demonstrate their qualifications for operating the railway concession. Expressions of Interest are due by December 31, 1996.

Mercer Management Consulting and the Banque Nationale de Paris have been appointed by the Government of the Republic of Gabon to advise on the concessioning of the Transgabonais railway.

Mercer Management Consulting
Project: Gabon Railways
1-3 Grosvenor Place
London SW1X 7HJ
United Kingdom
Mercer-Fax No.: (+ 44-1) 71.245.6933

Banque Nationale de Paris
Emerging Markets Group
1, rue Taitbout
75450 Paris Cedex 09
France
BNP Fax No.: (+ 33-1) 40.14.86.10

(For further information, interested parties may contact: Mr. Jean-Pascal CLÉDAT of BNP, Tel. No.: (+ 33-1) 40.14.41.33)

## BUSINESSES FOR SALE

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**Karl Loynton on +44 0171 873 4874**
**or Melanie Miles on +44 0171 873 3308**

FINANCIAL TIMES

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Latham Crossley & Davis
DJ Oakley or MJC Oldham
Latham Crossley & Davis
Arkwright House, Parsonage Gardens, Manchester M3 2LF
Tel: 0161-834 3313 Fax: 0161-835 3480

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For further details contact:-
Keith Stevens/Alan Clifton at
BRB Wilkins Kennedy,
Elvaco House,
180 High Street,
Egham,
Surrey, TW20 9DN
Tel: 01784 43545561
Fax: 01784 430584

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Phillips Fox, Solicitors, 255 Elizabeth Street
Sydney 2000, NSW, Australia

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*Write to Box B4929, Financial Times, One Southwark Bridge, London SE1 9HL*

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The No. 1 independent listing of medium to large businesses for sale in the UK (T/O £1m+). New sections list major acquisitions and all UK receiverships. For sub details:
0181-875 0200

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REGENT PACIFIC CORPORATE FINANCE LIMITED

December 1996

# 'Bottom-fishing' lifts European prices

GOVERNMENT BONDS

By Samer Iskandar in London and Lisa Bransten in New York

European bond markets yesterday recouped most of Friday's losses, with prices of 10-year benchmark bonds rising by between ¾ percentage points and more than a full percentage point.

The boost came as traders rushed to buy at lower prices – a practice known as "bottom-fishing". A recovery in US bond prices also helped underpin investors' morale.

Analysts, however, fear the respite might be short-lived.

"The market seems to be focusing on a repeat of the 1994 scenario," said Ms Phyllis Reed, European bond strategist at BZW.

In February 1994, a rise in US interest rates led to a global sell-off in bond markets, as traders took profits on investments that had benefited from the sharp rally of 1993.

Ms Reed admitted that market conditions are reminiscent of early 1994 – with rises in interest rates expected in several large markets. But she said she had "good reason to believe [a global bear market] will not happen again soon".

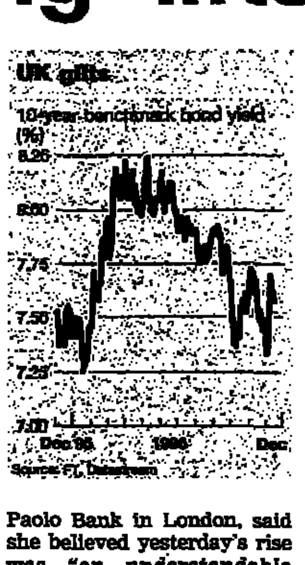
She pointed out that in 1996, yields in Europe's peripheral bonds converged towards those of German bunds, even while US Treasuries were falling, reflecting a healthy underlying tone to the market, whereas previous convergence runs had been underpinned by a strong US market.

Another factor that makes a sell-off less likely is the relative absence of foreign investors – bear markets are often sparked by overseas sales.

BZW estimates that foreign investors currently hold roughly 30 per cent of existing Spanish government bonds; in 1994, this figure was around the 30 per cent level.

Ms Sharda Persaud, a European economist at San Paolo Bank in London, said she believed yesterday's rise was "an understandable technical correction". She warned, however, that Friday's fall might have been "the beginning of a long-term [bearish] trend".

"All peripheral markets could suffer from deconvergence, [a widening of their yield spreads over bunds], in 1997," she said. "And Italian bonds are the most vulnerable to a downturn."




UK and Irish gilts showed the strongest performances. The price of the 8 per cent Irish gilt due 2006 rose by 1.08 to close at 108.73, while its UK counterpart settled ⅞ higher at 99½.

Economists at Riada Stockbrokers in Dublin pointed out that Irish gilts had suffered more than core European markets last week. "This looks somewhat overdone," they said.

Riada predicts that confirmation, next Thursday, that consumer price inflation is below the 2 per cent mark (economists are expecting 1.8 to 1.9 per cent) would boost the market – especially five-year maturities.

Liffe's March long gilt futures contract rose 22/32 to settle at 109 19/32, as traders used the excuse of soft producer price data to justify bond purchases. But activity in the cash market was limited, and observers described futures trading as "technical". Producer price inflation slowed in November to a yearly rate of 2.1 per cent, its lowest level this year.

A rise in the value of the dollar yesterday helped US Treasury bonds hold gains made overnight in Asia and Europe.

Near midday in New York, the benchmark 30-year Treasury was ⅞ stronger at 100 12/32 to yield 6.469 per cent; while at the short end of the maturity spectrum the two-year note was up 1/32 at 99⅞ yielding 5.675 per cent. The March 30-year bond future was 13/32 higher at 114¼.

Trading was extremely quiet on US markets as investors waited for more news about the direction of the economy.

Mr Alan Greenspan, chairman of the US Federal Reserve, rattled the market in Friday with remarks that were interpreted as a sign he was worried about sharp gains in the capital markets.

However, the sell-off was tempered after the November employment figures came in weaker than most Wall Street economists had forecast.

Mr Richard Gilhooly, international bond strategist at Paribas Capital Markets in New York, said it appeared that investors were still digesting the meaning of Mr Greenspan's question about whether "irrational exuberance" had inflated asset prices.

"The US session has not been able to take the market to new highs," said Mr Gilhooly. "People are concerned about the market rallying too hard."

He added that modest strength in the dollar helped Treasuries hold their bid. In early afternoon trading the US currency was changing hands at Y113.28 and DM1.5561 compared with Y112.90 and DM1.5464 late on Friday.

There was little in the way of important data out yesterday, but today's figures on weekly retail sales should provide some sense of whether consumers spending will strengthen the economy.

Also important will be figures on producer prices and consumer prices due out tomorrow and Thursday.

CAPITAL MARKETS NEWS DIGEST

## Funds bearish on domestic bonds

A greater number of Japanese, UK and European fund managers plan to reduce holdings of domestic bonds than those planning to increase them, according to Merrill Lynch's latest monthly international survey. In the December survey, nearly one-quarter of Japanese fund managers said they were intending to reduce their institutions' holdings in Japanese government bonds, reflecting the continued expectation that interest rates and bond yields will remain low. In contrast, one-third of managers want to buy bonds outside of Japan, with US Treasuries being preferred.

The survey of 232 institutions, which handle funds totalling $4,700bn, was completed before last week's comments by Mr Alan Greenspan, chairman of the Federal Reserve, led to sharp falls in international bond and equities markets. However, a balance of Japanese managers were already bearish over prospects for the US and UK equity markets in the next 12 months. And for the first time in over a year, Japanese managers are more likely to buy than to sell their domestic equities.

In the UK, managers have become more inclined to sell gilts, while investment in UK property is heavily favoured. Merrill Lynch notes: "Bears of UK gilts outnumber bulls by 13 per cent, and following the gilt rally in November managers have turned net sellers."

Continental European managers have also become net sellers of bonds inside and outside Europe. Over 90 per cent of managers expect economic activity in mainland Europe to be stronger in 1997 when compared with 1996. US managers remain very bullish about European equity markets, but are more bearish on the outlook for their domestic equities by a margin of 12 per cent.

*Richard Adams, London*

## Chicago exchanges add jobs

Chicago's four futures and securities exchanges have made the city a primary location for financial services employment, accounting directly for 50,000 jobs, according to a new study. The exchanges generate an additional 100,000 jobs when non-financial businesses that benefit from trading are taken into account, says the report from the Risk Management Center of Chicago and the Commercial Club of Chicago.

The study also found job growth for financial services was 13.9 per cent over the past decade, nearly double the rate of job-generation for the city as a whole. While banking employment is down nationwide, it continues to grow in Chicago. The report is an update of a study of the economic impact of the financial industry on the local economy, last issued in 1987. The study found that the exchanges are net exporters, with their products and services overwhelmingly purchased by corporations and institutions outside of the city. *Laurie Morse, Chicago*

*Financial Markets and Financial Services in Chicago. The Risk Management Center, 2 North Riverside Plaza, Suite 1748, Chicago, IL 60606.*

# Kazakhstan makes its long-awaited debut

INTERNATIONAL BONDS

By Conner Middelmann

A handful of borrowers braved the eurobond market yesterday before it slams shut for year-end.

Kazakhstan, the central Asian republic, made its long-awaited eurobond debut with $200m of three-year bonds. The issue was priced to yield 350 basis points over US Treasuries – 5 basis points wider than the spread at which Russia's recent five-year debut offering was priced.

ABN Amro Hoare Govett, the lead manager, pointed out as the Kazakh transaction was launched that Russia's bonds were trading at a spread of 353 basis points over Treasuries. This followed the general widening of emerging-market yield spreads late last week. "So it was actually priced inside Russia," said an official.

ABN Amro reported strong investor demand and one official said the transaction was about three times subscribed. He said 20 per cent of the issue went to Asian investors, 40 per cent to the US and the rest to Europe. Buyers included mainly specialist emerging-market funds and a small portion of retail accounts.

Observers said the deal benefited from its rarity appeal – the government does not need the money and is using the issue to open the market for corporate borrowers. It also proved attractive because of investors' desire to diversify their portfolios, the country's wealth of natural resources and its improving economic fundamentals.

Official forecasts are for an annual inflation rate of about 17.5 per cent in 1997, down from an estimated 30 per cent this year, 60 per cent in 1995 and 1,200 per cent in 1994. Moreover, the economy is expected to grow for first time since the country gained its independence from the former Soviet Union five years ago. Its gross domestic product fell 8.5 per cent in 1995 and 25 per cent in 1994.

The European Investment Bank, the biggest borrower in the Italian lira market, issued L1,000bn of eight-year floating-rate notes.

Executed as a so-called club deal – with eight book-runners, mostly Italian banks, splitting the issue equally and not inviting a syndicate group – a portion of the bonds has been placed with Italian institutions.

The rest is expected to be sold to domestic retail investors through the underwriters' branch networks. The notes pay a spread of 28½ basis points over Libor at the re-offer price.

### New international bond issues

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| US DOLLARS | | | | | | | |
| Republic of Kazakhstan | 200 | 9.25# | 99.872R | Dec 1999 | 1.00R | +350(5⅞%-99) | ABN Amro Hoare Govett |
| MBI Finance(a)§ | 219 | Zero | 66.44 | Dec 2001 | 2.50 | - | Jardine Fleming |
| Société Générale‡ | 60 | (b1) | 99.889R | Undated | 0.75R | - | (b2) |
| ITALIAN LIRE | | | | | | | |
| European Investment Bank‡ | 1000 | (c) | 99.95R | Jun 2004 | 0.05R | - | (c1) |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) Exchangeable into Metropolitan Bank & Trust Co shares at 670 pesos. FX: 26.295 pesos/$. Callable from 18/12/99, subject to 140% hurdle, at 100%. b) Fungible with $250m. Plus 60 days accrued. Callable from Oct 06 at par. b1) 3-mth Libor +82½bp to Oct 06, then +200bp. b2) Joint book-runners: Bear Stearns, Morgan Stanley and SocGen. c) 3-mth Libor -30bp. c1) Joint book-runners: BCI, BNL, Cariplo, Credito Italiano, Deutsche Morgan Grenfell, IMI Bank (Lux), San Paolo and JP Morgan. e) Short 1st coupon

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 6.750 | 11/06 | 95.8810 | +1.080 | 7.34 | 7.07 | 7.43 |
| Austria | | 5.875 | 07/06 | 100.1400 | +0.540 | 5.85 | 5.71 | 6.09 |
| Belgium | | 7.000 | 05/06 | 107.7600 | +0.590 | 5.90 | 5.77 | 6.13 |
| Canada * | | 7.000 | 12/06 | 104.9300 | +1.730 | 6.33 | 6.07 | 6.58 |
| Denmark | | 8.000 | 03/06 | 108.9600 | +0.820 | 6.67 | 6.56 | 6.87 |
| France | BTAN | 5.500 | 10/01 | 103.6250 | +0.380 | 4.65 | 4.59 | 4.98 |
| | OAT | 6.500 | 10/06 | 105.7300 | +0.630 | 5.73 | 5.62 | 5.99 |
| Germany Bund | | 6.250 | 04/06 | 103.3700 | +0.700 | 5.77 | 5.65 | 6.01 |
| Ireland | | 8.000 | 08/06 | 108.7300 | +1.080 | 6.74 | 6.51 | 6.91 |
| Italy | | 9.500 | 02/06 | 113.4800 | +0.960 | 7.44† | 7.50 | 8.20 |
| Japan | No 140 | 6.600 | 06/01 | 122.1312 | +0.230 | 1.41 | 1.37 | 1.58 |
| | No 182 | 3.000 | 09/05 | 104.2413 | +0.410 | 2.42 | 2.35 | 2.68 |
| Netherlands | | 8.500 | 06/06 | 119.5100 | +0.700 | 5.76 | 5.60 | 5.94 |
| Portugal | | 9.500 | 02/06 | 116.7500 | +1.250 | 6.97 | 6.96 | 7.55 |
| Spain | | 8.800 | 04/06 | 111.3500 | - | 7.00 | 6.94 | 7.83 |
| Sweden | | 6.000 | 02/05 | 95.1368 | +0.470 | 6.79 | 6.85 | 7.23 |
| UK Gilts | | 8.000 | 12/00 | 103-02 | +11/32 | 7.11 | 6.97 | 6.94 |
| | | 7.500 | 12/06 | 99-17 | +28/32 | 7.57 | 7.32 | 7.56 |
| | | 9.000 | 10/08 | 110-15 | +33/32 | 7.64 | 7.42 | 7.68 |
| US Treasury * | | 6.500 | 10/06 | 102-08 | +17/32 | 6.20 | 6.08 | 6.43 |
| | | 6.500 | 11/26 | 100-12 | +28/32 | 6.47 | 6.37 | 6.72 |
| ECU (French Govt) | | 7.000 | 04/06 | 106.4300 | +0.960 | 6.07 | 6.01 | 6.33 |

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

| Latest | | Treasury Bills and Bond Yields | | | |
|---|---|---|---|---|---|
| | | One month | - | Two year | 5.69 |
| Prime rate | 8¼ | Two month | - | Three year | 5.80 |
| Broker loan rate | 7 | Three month | 5.01 | Five year | 5.97 |
| Fed.funds | 5¼ | Six month | 5.21 | 10-year | 6.20 |
| Fed.funds at intervention | - | One year | 5.44 | 30-year | 6.46 |

### BOND FUTURES AND OPTIONS

**France**

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 128.48 | 128.94 | +0.80 | 128.96 | 128.44 | 88,876 | 111,440 |
| Mar | 128.56 | 129.04 | +0.82 | 129.08 | 128.54 | 29,699 | 103,318 |
| Jun | 127.40 | 127.84 | +0.80 | 127.74 | 127.40 | 242 | 8,766 |

LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | CALLS Jan | CALLS Feb | CALLS Mar | PUTS Jan | PUTS Feb | PUTS Mar |
|---|---|---|---|---|---|---|
| 126 | - | - | 3.06 | 0.03 | 0.20 | 0.35 |
| 127 | - | - | - | 0.08 | 0.35 | 0.54 |
| 128 | 1.21 | - | - | 0.20 | 0.61 | 0.82 |
| 129 | 0.56 | 0.10 | 1.21 | 0.52 | - | 1.16 |
| 130 | 0.17 | 0.54 | 0.76 | 1.11 | - | - |

Est. vol. total, Calls 20,020 Puts 15,480. Previous day's open int., Calls 136,922 Puts 138,684.

**Germany**

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 100.46 | 100.77 | +0.76 | 100.84 | 100.35 | 137613 | 233562 |
| Jun | - | 99.90 | +0.79 | - | - | 0 | 43 |

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | CALLS Jan | CALLS Feb | CALLS Mar | CALLS Jun | PUTS Jan | PUTS Feb | PUTS Mar | PUTS Jun |
|---|---|---|---|---|---|---|---|---|
| 10050 | 0.55 | 0.91 | 1.13 | 1.17 | 0.28 | 0.64 | 0.86 | 1.77 |
| 10100 | 0.27 | 0.64 | 0.86 | 0.96 | 0.50 | 0.87 | 1.09 | 2.06 |
| 10150 | 0.12 | 0.43 | 0.65 | 0.78 | 0.85 | 1.16 | 1.38 | 2.38 |

Est. vol. total, Calls 14007 Puts 8616. Previous day's open int., Calls 167176 Puts 151237

**Italy**

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 127.75 | 128.54 | +1.14 | 128.74 | 127.75 | 37788 | 82516 |
| Jun | 127.95 | 128.12 | +1.14 | 127.95 | 127.90 | 100 | 365 |

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | CALLS Mar | CALLS Jun | PUTS Mar | PUTS Jun |
|---|---|---|---|---|
| 12850 | 1.89 | 2.66 | 1.85 | 3.04 |
| 12900 | 1.65 | 2.43 | 2.11 | 3.31 |
| 12950 | 1.44 | 2.22 | 2.40 | 3.60 |

Est. vol. total, Calls 7705 Puts 1722. Previous day's open int., Calls 84891 Puts 63549

**Spain**

NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 111.11 | 111.84 | +0.45 | 111.96 | 111.05 | 59,092 | 62,074 |
| Mar | 110.65 | 111.34 | +0.47 | 111.47 | 110.61 | 9,499 | 19,581 |

**UK**

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 109-28 | 110-06 | +0-22 | 110-10 | 109-26 | 5428 | 13041 |
| Mar | 109-07 | 109-19 | +0-22 | 109-22 | 109-01 | 32514 | 143574 |

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | CALLS Jan | CALLS Feb | CALLS Mar | CALLS Jun | PUTS Jan | PUTS Feb | PUTS Mar | PUTS Jun |
|---|---|---|---|---|---|---|---|---|
| 109 | 0-62 | 1-36 | 1-55 | 2-24 | 0-24 | 0-62 | 1-17 | 2-30 |
| 110 | 0-28 | 1-03 | 1-22 | 1-59 | 0-54 | 1-29 | 1-48 | 3-01 |
| 111 | 0-10 | 0-42 | 0-59 | 1-34 | 1-36 | 2-04 | 2-21 | 3-40 |

Est. vol. total, Calls 1877 Puts 3055. Previous day's open int., Calls 36200 Puts 25173

**Ecu**

ECU BOND FUTURES (MATIF) ECU100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 95.52 | 96.14 | +0.88 | 96.10 | 95.52 | 1,785 | 7,053 |
| Mar | 95.26 | 95.72 | +0.90 | 95.58 | 95.26 | 853 | 2,549 |

**US**

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 114-09 | 114-20 | +0-13 | 114-25 | 114-09 | 41,614 | 126,042 |
| Mar | 113-30 | 114-08 | +0-13 | 114-14 | 113-29 | 628,778 | 332,949 |
| Jun | 113-27 | 113-26 | +0-15 | 113-27 | 113-23 | 2,217 | 14,110 |

**Japan**

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 125.88 | - | - | 125.92 | 125.77 | 1133 | n/a |
| Jun | 124.35 | - | - | 124.35 | 124.34 | 100 | n/a |

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

### FTSE Actuaries Govt. Securities — UK Indices

| Price Indices UK Gilts | Mon Dec 9 | Day's change % | Fri Dec 6 | Accrued interest | xd adj. ytd | | Low coupon yield Dec 9 | Dec 6 | Yr. ago | Medium coupon yield Dec 9 | Dec 6 | Yr. ago | High coupon yield Dec 9 | Dec 6 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (21) | 120.79 | 0.26 | 120.48 | 2.14 | 8.44 | 5 yrs | 7.22 | 7.34 | 6.92 | 7.29 | 7.39 | 6.92 | 7.33 | 7.44 | 7.01 |
| 2 5-15 years (19) | 148.37 | 0.63 | 147.45 | 1.84 | 11.68 | 15 yrs | 7.74 | 7.82 | 7.63 | 7.71 | 7.81 | 7.68 | 7.68 | 7.71 | 7.75 |
| 3 Over 15 years (7) | 168.29 | 1.03 | 166.58 | 3.16 | 11.85 | 20 yrs | 7.82 | 7.88 | 7.71 | 7.74 | 7.85 | 7.74 | 7.70 | 7.72 | 7.79 |
| 4 Irredeemables (6) | 191.09 | 0.17 | 190.76 | 1.59 | 13.47 | Irred.† | 7.90 | 7.91 | 7.79 | | | | | | |
| 5 All stocks (53) | 143.48 | 0.57 | 142.67 | 2.24 | 10.97 | | | | | | | | | | |

| Index-linked | | | | | | | Inflation 5% Dec 9 | Dec 6 | Yr. ago | Inflation 10% Dec 9 | Dec 6 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 Up to 5 years (2) | 202.89 | 0.12 | 202.64 | 1.12 | 5.28 | Up to 5 yrs | 3.24 | 3.26 | 2.80 | 2.59 | 2.62 | 1.68 |
| 7 Over 5 years (10) | 195.13 | 0.33 | 194.49 | 1.49 | 4.71 | Over 5 yrs | 3.56 | 3.58 | 3.51 | 3.36 | 3.39 | 3.32 |
| 8 All stocks (12) | 194.89 | 0.30 | 194.30 | 1.44 | 4.69 | | | | | | | |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT Fixed Interest Indices

| | Dec 9 | Dec 6 | Dec 5 | Dec 4 | Dec 3 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 94.15 | 93.90 | 95.11 | 95.41 | 95.46 | 95.86 | 96.34 | 91.59 |
| Fixed Interest | 117.05 | 117.01 | 117.61 | 117.82 | 117.70 | 115.01 | 117.82 | 110.74 |

### Gilt Edged Activity Indices

| | Dec 6 | Dec 5 | Dec 4 | Dec 3 | Dec 2 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 93.7 | 97.8 | 93.0 | 92.5 | 78.5 |
| 5-day average | 91.1 | 92.7 | 91.3 | 93.1 | 96.2 |

 * for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on December 9

| | Issued | Bid | Offer | Chg | Yield |
|---|---|---|---|---|---|
| U.S. DOLLAR STRAIGHTS | | | | | |
| Abbey Natl Treasury 6½ 03 | 1000 | 101 | 101¼ | +¼ | 6.30 |
| ABN Amro Bank 7¼ 05 | 1000 | 103⅛ | 103⅜ | +⅜ | 6.67 |
| African Dev Bk 7⅜ 23 | 500 | 102⅞ | 102⅞ | +⅜ | 7.17 |
| Alberta Province 7⅝ 98 | 1000 | 103 | 103⅛ | | 5.90 |
| Asian Dev Bank 6¼ 05 | 750 | 98⅞ | 99⅛ | +⅜ | 6.52 |
| Austria 8½ 00 | 400 | 105¾ | 107 | +⅛ | 6.06 |
| [illegible] | | | | | |
| Spain 7¼ 03 | 4000 | 109⅛ | 109¼ | +⅛ | 5.48 |
| Volkswagen Intl Fin 7 03 | 1000 | 106½ | 107 | -⅛ | 5.76 |
| World Bank 5⅞ 03 | 3000 | 103⅛ | 103¼ | +⅝ | 5.32 |
| World Bank 6⅛ 02 | 3000 | 105 | 105¼ | +⅛ | 5.10 |
| World Bank 7⅛ 05 | 3000 | 108⅜ | 108½ | +½ | 5.62 |
| SWISS FRANC STRAIGHTS | | | | | |
| [illegible] | | | | | |
| Abbey Natl Treasury 8 03 £ | 1000 | 101⅛ | 101¼ | +⅛ | 7.75 |
| British Land 8⅞ 23 £ | 150 | 96¼ | 96½ | +⅝ | 9.47 |
| Denmark 6¾ 98 £ | 800 | 99¾ | 99⅞ | +⅛ | 6.88 |
| Depfa Finance 7⅛ 03 £ | 500 | 95½ | 95¾ | +½ | 7.79 |
| EIB 8 03 £ | 1000 | 102⅜ | 102½ | +⅜ | 7.51 |
| Glaxo Wellcome 8¾ 05 £ | 500 | 104⅜ | 104½ | +½ | 8.05 |
| Hanson Trust 10 06 £ | 550 | 111 | 111¼ | +⅜ | 8.25 |
| [illegible] | | | | | |

## UK GILTS PRICES

| Notes | Yield Int | Yield Red | Price £ | + or - | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|
| Shorts (Lives up to Five Years) | | | | | | |
| Treas 13¼pc 1997‡‡ | 13.15 | 5.81 | 100 | — | 107 | 100½ |
| Exch 10½pc 1997 | 10.41 | 6.13 | 100 | — | 107 | 100 |
| Treas Cnv 7pc 1997‡‡ | 6.97 | 6.29 | 100 | +⅛ | 101 | 100 |
| Treas 8¾pc 1997‡‡ | 8.61 | 6.36 | 101⅝ | — | 107 | 101⅝ |
| [illegible] | | | | | | |
| Treas 7½pc 2006‡‡ | 7.54 | 7.55 | 99½ | + | 101 | 94 |
| Treas 7¾pc 2006‡‡ | 7.67 | 7.57 | 101 | +⅝ | 103¼ | 96 |
| Treas 8pc 2002-6‡‡ | 7.86 | 7.46 | 101 | +⅝ | 104 | 97⅞ |
| Treas 11¾pc 2003-7 | 9.72 | 7.42 | 120 | +½ | 125 | 118 |
| [illegible] | | | | | | |
| Index-Linked | | | | | | |
| 4⅝pc '98‡‡ (135.6) | 0.49 | 2.36 | 113 | + | 114¾ | 111 |
| 2½pc '01 (78.3) | 2.73 | 3.29 | 194 | + | 195 | 176¼ |
| 2½pc '03 (78.8) | 2.94 | 3.35 | 180 | + | 182 | 171 |
| 4⅜pc '04‡‡ (135.6) | 3.01 | 3.38 | 117 | + | 119 | 112 |
| [illegible] | | | | | | |

Other Fixed Interest [illegible]

هكذا من الأصل



## CURRENCIES AND MONEY

# Dollar rebounds as Greenspan remarks fade

MARKETS REPORT

By Simon Kuper

The dollar recovered yesterday with world asset markets as traders reassessed comments on Thursday night by Mr Alan Greenspan, chairman of the Federal Reserve.

Mr Greenspan had hit stocks, bonds and the dollar by warning that "irrational exuberance" could inflate asset prices. But this weekend various policymakers sought to dampen the effect of his comments. Currency strategists said yesterday that Mr Greenspan's warning should boost the dollar, as it raised prospects of interest rate hikes.

Mr Carl Weinberg, chief economist at High Frequency Economics in New York, said yesterday: "We had an irrational wobble on Friday, and people moved back into the dollar today."

The dollar and the D-Mark both rose against the Swiss franc, as the Swiss National Bank welcomed the franc's recent slide, and said it had agreed with the government to keep monetary policy easy. News that Swiss gross domestic product fell more than expected in the third quarter also hit the franc.

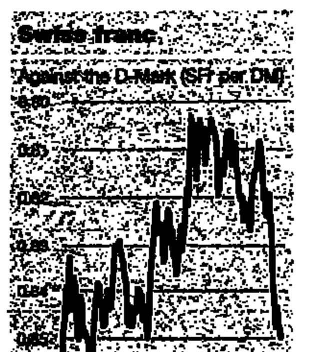
The dollar rebounded 1.7 pfennigs against the D-Mark, closing in London at DM1.557. It gained Y0.7 against the yen to Y113.4, and rose from SFr1.306 to SFr1.328 against the Swiss franc. The Swissie closed at a 30-month low of SFr0.853 against the D-Mark.

Sterling rose in the dollar's wake, but as usual its movements were more extreme than those of the US currency. It soared 3.5 pfennigs against the D-Mark to DM2.564, even though it was hardly moved by any UK news. Traders largely shrugged off UK input price data showing weak inflationary pressures. The pound also rose half a cent against the dollar to $1.647.

The continental European currencies were fairly stable against one another. Traders were sitting tight waiting for news on a stability pact for European monetary union, which European Union leaders are now negotiating. The German Chancellor Helmut Kohl said after meeting the French president Jacques Chirac yesterday that neither Germany nor France intended the euro – the planned single European currency – to be weak. French leaders had seemed to be calling for a soft euro against the dollar.

■ Mr Mike Wallace, senior currency economist at MMS International, said the market's volatility in recent days, with the pound and dollar moving far more sharply than in previous months, may be due to traders becoming less active as Christmas nears.

With fewer prices being offered and fewer deals made, any one transaction can move a currency sharply. Thus sterling jumped despite little British news. "We're looking for increasingly erratic movements through the rest of the year," Mr Wallace said.



■ All 21 economists polled by Reuters this week said Mr Kenneth Clarke, the UK chancellor, would leave base rates unchanged following his monetary policy meeting tomorrow with Mr Eddie George, governor of the Bank of England.

But the economists had been almost as unanimous in October in insisting that Mr Clarke would not raise rates then. He did. Short sterling futures contracts for December still price in a 25 basis point rate hike this month, although holders of the contracts should not come unstuck if the hike occurs in January instead.

Yesterday's weak input price data led the money markets to expect fewer hikes on the medium term. Short sterling futures contracts for September 1997 rose 11 basis points and now price in base rates of about 7 per cent, compared with 6 per cent today.

The Office for National Statistics said input prices fell mainly because of sterling's autumn surge. Even after last week's slide, the pound has gained 10 per cent against a trade weighted basket of currencies since August. Mr David Walton, economist at Goldman Sachs in London, said yesterday: "The beneficial effects of a stronger exchange rate on inflation should be seen more widely in coming months."

On the long term low inflation should help sterling. But it could initially weaken the pound, by denting expectations of rate rises.

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■ Pound in New York

| Dec 9 | —Latest— | — Prev. close — |
|---|---|---|
| £ spot | 1.6470 | 1.6470 |
| 1 mth | 1.6461 | 1.6462 |
| 3 mth | 1.6437 | 1.6438 |
| 1 yr | 1.6298 | 1.6297 |

■ OTHER CURRENCIES

| Dec 9 | £ | $ |
|---|---|---|
| Czech Rp | 45.2876 - 45.3425 | 27.4970 - 27.5170 |
| Hungary | 264.014 - 264.225 | 160.300 - 160.350 |
| Iran | 4943.40 - 4941.00 | 3000.00 - 3000.00 |
| Kuwait | 0.4934 - 0.4945 | 0.2996 - 0.3001 |
| Poland | 4.7121 - 4.7185 | 2.8610 - 2.8635 |
| Russia | 9101.32 - 9109.04 | 5526.00 - 5528.00 |
| U.A.E. | 6.0461 - 6.0540 | 3.6710 - 3.6740 |

## POUND SPOT FORWARD AGAINST THE POUND

| Dec 9 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 18.0430 | +0.2504 | 347 - 512 | 18.0692 | 17.8140 | 17.9995 | 2.9 | 17.943 | 2.2 | - | - | 104.3 |
| Belgium | (BFr) | 52.8898 | +0.774 | 522 - 273 | 52.9275 | 52.3900 | 52.7848 | 2.8 | 52.4998 | 2.9 | 51.3048 | 3.0 | 105.0 |
| Denmark | (DKr) | 9.8166 | +0.1289 | 125 - 206 | 9.8289 | 9.7437 | 9.7966 | 2.4 | 9.7581 | 2.5 | 9.5771 | 2.4 | 106.8 |
| Finland | (FM) | 7.6773 | +0.1129 | 693 - 853 | 7.6860 | 7.6000 | - | - | - | - | - | - | 84.3 |
| France | (FFr) | 8.6635 | +0.1303 | 603 - 669 | 8.6761 | 8.5801 | 8.6429 | 2.9 | 8.6012 | 2.9 | 8.3964 | 3.1 | 107.8 |
| Germany | (DM) | 2.5644 | +0.0368 | 632 - 655 | 2.5692 | 2.5433 | 2.5579 | 3.0 | 2.5446 | 3.1 | 2.4798 | 3.3 | 108.9 |
| Greece | (Dr) | 403.811 | +4.484 | 530 - 091 | 404.435 | 402.888 | - | - | - | - | - | - | 68.9 |
| Ireland | (I£) | 0.9982 | +0.001 | 962 - 972 | 0.9974 | 0.9931 | 0.9959 | 0.4 | 0.9949 | 0.5 | 0.9883 | 0.8 | 102.5 |
| Italy | (L) | 2524.71 | +28.45 | 363 - 590 | 2527.30 | 2507.62 | 2528.51 | -1.8 | 2538.01 | -1.8 | 2540.51 | -0.6 | 77.9 |
| Luxembourg | (LFr) | 52.8898 | +0.774 | 522 - 273 | 52.9275 | 52.3900 | 52.7848 | 2.8 | 52.4998 | 2.9 | 51.3048 | 3.0 | 105.0 |
| Netherlands | (Fl) | 2.8789 | +0.0409 | 755 - 782 | 2.8805 | 2.8506 | 2.8691 | 3.3 | 2.8536 | 3.2 | 2.7801 | 3.4 | 105.1 |
| Norway | (NKr) | 10.7047 | +0.1292 | 004 - 089 | 10.7329 | 10.6003 | 10.6922 | 1.4 | 10.6722 | 1.2 | 10.5672 | 1.3 | 98.7 |
| Portugal | (Es) | 258.364 | +3.415 | 760 - 968 | 259.071 | 257.166 | 259.009 | -0.9 | 259.429 | -0.8 | - | - | 95.2 |
| Spain | (Pta) | 215.777 | +2.733 | 706 - 848 | 216.003 | 214.050 | 215.942 | -0.9 | 216.172 | -0.7 | 216.172 | -0.2 | 79.4 |
| Sweden | (SKr) | 11.2725 | +0.1295 | 624 - 825 | 11.2921 | 11.1918 | 11.2713 | 0.1 | 11.2687 | 0.1 | 11.2563 | 0.1 | 88.1 |
| Switzerland | (SFr) | 2.1880 | +0.0412 | 866 - 893 | 2.1900 | 2.1668 | 2.16 | 4.4 | 2.1648 | 4.3 | 2.0933 | 4.3 | 105.6 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 83.0 |
| Ecu | - | 1.3278 | +0.0162 | 270 - 286 | 1.3298 | 1.3176 | 1.3259 | 1.8 | 1.3215 | 1.9 | 1.3 | 2.1 | - |
| SDR† | - | 1.138304 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.6472 | +0.0063 | 467 - 476 | 1.6490 | 1.6402 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.7044 | +0.006 | 036 - 050 | 1.7044 | 1.6865 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.2322 | +0.0011 | 312 - 331 | 2.2431 | 2.2280 | 2.2271 | 2.8 | 2.2182 | 2.9 | 2.1572 | 3.4 | 85.3 |
| Mexico | (New Peso) | 13.0145 | +0.0034 | 031 - 259 | 13.0589 | 13.0028 | - | - | - | - | - | - | - |
| USA | ($) | 1.6474 | +0.0057 | 470 - 478 | 1.6497 | 1.6410 | 1.6465 | 0.7 | 1.6442 | 0.8 | 1.63 | 1.1 | 98.1 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.0522 | -0.0061 | 511 - 533 | 2.0646 | 2.0509 | 2.0535 | -0.8 | 2.0542 | -0.4 | 2.0538 | -0.1 | 95.7 |
| Hong Kong | (HK$) | 12.7399 | +0.0463 | 364 - 434 | 12.7555 | 12.6897 | 12.7326 | 0.7 | 12.7186 | 0.7 | 12.6542 | 0.7 | - |
| India | (Rs) | 59.1252 | +0.349 | 814 - 890 | 59.2140 | 58.8150 | - | - | - | - | - | - | - |
| Israel | (Shk) | 5.4094 | +0.0292 | 031 - 157 | 5.4209 | 5.3831 | - | - | - | - | - | - | - |
| Japan | (Y) | 186.683 | +1.647 | 589 - 776 | 187.000 | 185.610 | 185.753 | 6.0 | 183.896 | 6.0 | 175.483 | 6.0 | 129.3 |
| Malaysia | (M$) | 4.1588 | +0.0198 | 547 - 584 | 4.1609 | 4.1407 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.3339 | +0.0011 | 325 - 353 | 2.3396 | 2.3205 | 2.3408 | -3.5 | 2.35 | -2.8 | 2.3708 | -1.6 | 111.6 |
| Philippines | (Peso) | 43.3257 | +0.13 | 101 - 413 | 43.4139 | 43.2411 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 6.1788 | +0.0214 | 768 - 802 | 6.1872 | 6.1547 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.3088 | +0.0112 | 074 - 102 | 2.3104 | 2.3000 | - | - | - | - | - | - | - |
| South Africa | (R) | 7.7238 | +0.0689 | 178 - 298 | 7.7311 | 7.6634 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1374.01 | +8.31 | 322 - 443 | 1375.85 | 1365.00 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 45.3036 | +0.1568 | 596 - 475 | 45.3589 | 45.1193 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 42.1323 | +0.1869 | 138 - 507 | 42.1640 | 41.9600 | - | - | - | - | - | - | - |

† Rates for Dec 6. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Dec 9 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | J.P. Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 10.9524 | +0.1145 | 500 - 547 | 10.9610 | 10.8770 | 10.9377 | 1.6 | 10.8924 | 2.2 | 10.6974 | 2.3 | 104.3 |
| Belgium | (BFr) | 32.1050 | +0.36 | 900 - 200 | 32.1300 | 31.8800 | 32.045 | 2.2 | 31.9175 | 2.3 | 31.3775 | 2.3 | 105.1 |
| Denmark | (DKr) | 5.9588 | +0.0578 | 578 - 598 | 5.9623 | 5.9225 | 5.9499 | 1.8 | 5.9315 | 1.8 | 5.8498 | 1.8 | 106.4 |
| Finland | (FM) | 4.6603 | +0.0626 | 585 - 640 | 4.6651 | 4.6239 | 4.6515 | 2.3 | 4.6328 | 2.4 | 4.5503 | 2.4 | 84.1 |
| France | (FFr) | 5.2590 | +0.0611 | 582 - 597 | 5.2630 | 5.2222 | 5.2507 | 1.9 | 5.2327 | 2.0 | 5.157 | 1.9 | 107.5 |
| Germany | (DM) | 1.5566 | +0.0182 | 563 - 569 | 1.5582 | 1.5466 | 1.5537 | 2.2 | 1.5477 | 2.3 | 1.523 | 2.2 | 108.7 |
| Greece | (Dr) | 245.120 | +1.88 | 070 - 170 | 245.340 | 243.580 | 245.675 | -2.7 | 246.245 | -1.8 | 250.27 | -2.1 | 66.5 |
| Ireland | (I£) | 1.6505 | -0.004 | 525 - 550 | 1.6575 | 1.6470 | 1.6533 | 0.3 | 1.653 | 0.2 | 1.6501 | 0 | - |
| Italy | (L) | 1532.55 | +10.8 | 220 - 290 | 1533.00 | 1526.00 | 1535.72 | -2.5 | 1542.15 | -2.5 | 1555.2 | -1.5 | 77.5 |
| Luxembourg | (LFr) | 32.1050 | +0.36 | 900 - 200 | 32.1300 | 31.8800 | 32.045 | 2.2 | 31.9175 | 2.3 | 31.3775 | 2.3 | 105.1 |
| Netherlands | (Fl) | 1.7463 | +0.0188 | 459 - 467 | 1.7475 | 1.7349 | 1.7425 | 2.6 | 1.7345 | 2.7 | 1.6989 | 2.7 | 105.0 |
| Norway | (NKr) | 6.4979 | +0.0591 | 969 - 989 | 6.5035 | 6.4420 | 6.4941 | 0.7 | 6.4865 | 0.6 | 6.4828 | 0.5 | 98.1 |
| Portugal | (Es) | 157.125 | +1.535 | 110 - 160 | 157.190 | 156.400 | 157.24 | -1.6 | 157.585 | -1.2 | 158.41 | -0.8 | 95.6 |
| Spain | (Pta) | 130.990 | +1.21 | 970 - 990 | 131.030 | 130.290 | 131.16 | -1.6 | 131.42 | -1.3 | 132.085 | -0.8 | 79.3 |
| Sweden | (SKr) | 6.8426 | +0.0591 | 381 - 470 | 6.8499 | 6.8025 | 6.8368 | 0.5 | 6.83 | 0.6 | 6.7826 | 0.9 | 87.8 |
| Switzerland | (SFr) | 1.3281 | +0.0219 | 276 - 286 | 1.3300 | 1.3145 | 1.3228 | 3.5 | 1.3130 | 3.5 | 1.2835 | 3.4 | 106.2 |
| UK | (£) | 1.6474 | +0.0057 | 470 - 478 | 1.6497 | 1.6410 | 1.6465 | 0.7 | 1.6442 | 0.8 | 1.63 | 1.1 | 92.0 |
| Ecu | - | 1.2407 | -0.011 | 403 - 411 | 1.2468 | 1.2397 | 1.242 | -1.3 | 1.2451 | -1.4 | 1.2617 | -1.7 | - |
| SDR† | - | 0.692315 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9999 | +0.0004 | 998 - 999 | 0.9999 | 0.9998 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.0346 | - | 345 - 347 | 1.0348 | 1.0343 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3550 | -0.0054 | 547 - 552 | 1.3598 | 1.3545 | 1.3526 | 2.1 | 1.3476 | 2.2 | 1.3201 | 2.6 | 84.3 |
| Mexico | (New Peso) | 7.9000 | -0.0295 | 950 - 050 | 7.9080 | 7.8940 | 8.018 | -17.9 | 8.2845 | -19.5 | 9.145 | -15.8 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 96.8 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.2457 | -0.0092 | 453 - 461 | 1.2498 | 1.2443 | 1.2472 | -1.4 | 1.2491 | -1.1 | 1.2548 | -0.7 | 96.4 |
| Hong Kong | (HK$) | 7.7334 | +0.0014 | 331 - 336 | 7.7339 | 7.7325 | 7.7333 | 0.0 | 7.7336 | 0.0 | 7.7449 | -0.1 | - |
| India | (Rs) | 35.8900 | +0.095 | 800 - 000 | 35.9300 | 35.7900 | 36.105 | -7.2 | 36.565 | -7.5 | - | - | - |
| Israel | (Shk) | 3.2836 | +0.0064 | 808 - 863 | 3.2860 | 3.2752 | - | - | - | - | - | - | - |
| Japan | (Y) | 113.320 | +0.81 | 280 - 360 | 113.400 | 112.880 | 112.845 | 5.0 | 111.84 | 5.2 | 107.54 | 5.0 | 130.2 |
| Malaysia | (M$) | 2.5231 | +0.0033 | 226 - 236 | 2.5255 | 2.5206 | 2.5258 | -1.4 | 2.5313 | -1.3 | 2.5526 | -1.2 | - |
| New Zealand | (NZ$) | 1.4167 | -0.0043 | 162 - 172 | 1.4183 | 1.4152 | 1.4222 | -4.7 | 1.4265 | -2.8 | 1.458 | -2.9 | - |
| Philippines | (Peso) | 26.3000 | - | 800 - 400 | 26.3450 | 26.2500 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7506 | - | 504 - 508 | 3.7508 | 3.7504 | 3.7508 | -0.1 | 3.7512 | -0.1 | 3.7531 | -0.1 | - |
| Singapore | (S$) | 1.4015 | +0.002 | 010 - 020 | 1.4022 | 1.4005 | 1.3993 | 1.8 | 1.3947 | 1.9 | 1.3735 | 2.0 | - |
| South Africa | (R) | 4.6885 | +0.0325 | 860 - 910 | 4.6920 | 4.6590 | 4.7292 | -10.4 | 4.8042 | -9.9 | 5.119 | -9.2 | - |
| South Korea | (Won) | 834.050 | +2.8 | 000 - 100 | 834.200 | 833.000 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 27.5000 | - | 800 - 200 | 27.5240 | 27.4780 | 27.5001 | 0.0 | 27.5003 | 0.0 | - | - | - |
| Thailand | (Bt) | 25.5750 | +0.025 | 700 - 800 | 25.5800 | 25.5400 | 25.695 | -4.0 | 25.825 | -4.0 | 26.47 | -3.5 | - |

† SDR rate per $ for Dec 6. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 6: Base average 1990=100.

## WORLD INTEREST RATES

### MONEY RATES

| December 9 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | 3¼ | 3¼ | 3¼ | 3¼ | 3½ | 6.00 | 2.50 | - |
| France | 3⅛ | 3⅜ | 3⅜ | 3⅜ | 3½ | 3.20 | - | 4.75 |
| Germany | 3¼ | 3¼ | 3⅛ | 3¼ | 3¼ | 4.50 | 2.50 | 3.00 |
| Ireland | 5½ | 5⅝ | 5⅞ | 5⅞ | 6¼ | - | - | 6.25 |
| Italy | 8⅞ | 7⅞ | 7¾ | 6⅞ | 6⅞ | 9.00 | 7.50 | 7.82 |
| Netherlands | 2⅞ | 3 | 3 | 3⅛ | 3⅛ | - | 3.00 | 3.30 |
| Switzerland | 1⅝ | 2¼ | 2⅛ | 2¼ | 2⅛ | - | 1.00 | - |
| US | 5¾ | 5⅜ | 5⅝ | 5⅝ | 5⅝ | - | 5.00 | - |
| Japan | ½ | ½ | ½ | ½ | ½ | - | 0.50 | - |
| ■ $ LIBOR FT London | | | | | | | | |
| Interbank Fixing | - | 5½ | 5⅝ | 5⅝ | 5¾ | | | |
| US Dollar CDs | - | 4.88 | 5.05 | 5.13 | 5.29 | | | |
| ECU Linked Ds | - | 4⅛ | 4⅛ | 4⅛ | 4⅛ | | | |
| SDR Linked Ds | - | 3⅜ | 3⅜ | 3⅜ | 3½ | | | |

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Dec 9 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Danish Krone | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| D-Mark | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dutch Guilder | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| French Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Portuguese Esc. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spanish Peseta | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sterling | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Swiss Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Can. Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| US Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italian Lira | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Yen | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Asian $Sing | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 96.55 | 96.55 | +0.04 | 96.57 | 96.54 | 7,078 | 35,810 |
| Mar | 96.57 | 96.59 | +0.06 | 96.61 | 96.56 | 10,723 | 62,479 |
| Jun | 96.53 | 96.55 | +0.07 | 96.57 | 96.52 | 3,010 | 37,734 |

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 96.77 | 96.76 | - | 96.78 | 96.76 | 8874 | 187654 |
| Mar | 96.85 | 96.84 | - | 96.85 | 96.84 | 17109 | 211749 |
| Jun | 96.78 | 96.79 | +0.04 | 96.79 | 96.75 | 12635 | 173419 |
| Sep | 96.66 | 96.68 | +0.06 | 96.68 | 96.65 | 12258 | 139271 |

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 96.71 | 96.71 | - | 96.71 | 96.71 | 215 | 3933 |
| Jan | 96.90 | 96.90 | -0.01 | 96.91 | 96.90 | 203 | 5048 |
| Feb | 96.90 | 96.90 | +0.02 | 96.90 | 96.90 | 109 | 2772 |
| Mar | - | 96.88 | -0.02 | - | - | 0 | 1210 |

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 92.87 | 92.88 | +0.02 | 92.87 | 92.82 | 7491 | 59540 |
| Mar | 93.59 | 93.60 | +0.08 | 93.60 | 93.56 | 8826 | 84260 |
| Jun | 93.90 | 93.94 | +0.09 | 93.94 | 93.88 | 2866 | 50183 |
| Sep | 94.05 | 94.07 | +0.09 | 94.07 | 94.03 | 2626 | 29013 |

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 97.81 | 97.79 | -0.03 | 97.82 | 97.77 | 1584 | 24544 |
| Mar | 97.89 | 97.86 | -0.04 | 97.90 | 97.84 | 3059 | 34026 |
| Jun | 97.80 | 97.78 | -0.02 | 97.81 | 97.76 | 1603 | 15455 |
| Sep | 97.60 | 97.61 | - | 97.62 | 97.58 | 294 | 6540 |

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 99.49 | 99.49 | +0.01 | 99.49 | 99.49 | 1 | n/a |
| Mar | 99.45 | 99.45 | +0.01 | 99.45 | 99.45 | 25 | n/a |
| Jun | 99.34 | 99.34 | +0.01 | 99.34 | 99.34 | 70 | n/a |

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 95.84 | 95.84 | +0.02 | 95.85 | 95.84 | 431 | 7302 |
| Mar | 95.90 | 95.91 | +0.04 | 95.91 | 95.89 | 579 | 7719 |
| Jun | 95.90 | 95.92 | +0.06 | 95.91 | 95.90 | 137 | 3915 |
| Sep | 95.86 | 95.88 | +0.07 | 95.88 | 95.86 | 328 | 3082 |

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

| Strike Price | CALLS Dec | Mar | Jun | PUTS Dec | Mar | Jun |
|---|---|---|---|---|---|---|
| 9275 | 0.14 | 0.91 | 1.28 | 0.03 | 0.06 | 0.09 |
| 9300 | 0.03 | 0.69 | 1.07 | 0.17 | 0.09 | 0.13 |
| 9325 | 0.01 | 0.49 | 0.87 | 0.40 | 0.14 | 0.18 |

Est. vol. total, Calls 5121 Puts 3022. Previous day's open int., Calls 124353 Puts 101676

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Dec 9 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.56 | 16.38 | 4.848 | 1.883 | 4774 | 5.440 | 20.23 | 486.5 | 408.0 | 21.21 | 4.137 | 1.891 | 4.220 | 3.114 | 353.0 | 2.511 |
| Denmark | (DKr) | 53.88 | 10 | 8.826 | 2.612 | 1.015 | 2572 | 2.931 | 10.90 | 262.1 | 219.8 | 11.48 | 2.229 | 1.019 | 2.274 | 1.678 | 190.2 | 1.353 |
| France | (FFr) | 61.05 | 11.33 | 10 | 2.959 | 1.150 | 2914 | 3.321 | 12.35 | 296.9 | 249.1 | 13.01 | 2.525 | 1.154 | 2.576 | 1.901 | 215.5 | 1.533 |
| Germany | (DM) | 20.63 | 3.829 | 3.379 | 1 | 0.388 | 984.9 | 1.122 | 4.173 | 100.4 | 84.17 | 4.395 | 0.853 | 0.390 | 0.871 | 0.642 | 72.82 | 0.518 |
| Ireland | (I£) | 53.10 | 9.856 | 8.699 | 2.574 | 1 | 2536 | 2.889 | 10.74 | 258.4 | 216.7 | 11.32 | 2.197 | 1.004 | 2.241 | 1.654 | 187.4 | 1.333 |
| Italy | (L) | 2.095 | 0.389 | 0.343 | 0.102 | 0.039 | 100. | 0.114 | 0.424 | 10.25 | 8.547 | 0.446 | 0.087 | 0.040 | 0.088 | 0.065 | 7.394 | 0.053 |
| Netherlands | (Fl) | 18.38 | 3.412 | 3.011 | 0.891 | 0.346 | 877.7 | 1 | 3.719 | 88.99 | 75.01 | 3.917 | 0.761 | 0.348 | 0.778 | 0.572 | 64.89 | 0.462 |
| Norway | (NKr) | 49.43 | 9.175 | 8.097 | 2.396 | 0.931 | 2360 | 2.689 | 10 | 242.0 | 201.7 | 10.53 | 2.045 | 0.935 | 2.086 | 1.539 | 174.5 | 1.241 |
| Portugal | (Es) | 20.43 | 3.792 | 3.346 | 0.990 | 0.385 | 975.3 | 1.111 | 4.133 | 100. | 83.35 | 4.358 | 0.845 | 0.386 | 0.862 | 0.636 | 72.11 | 0.513 |
| Spain | (Pta) | 24.51 | 4.549 | 4.015 | 1.188 | 0.462 | 1170 | 1.333 | 4.958 | 120.0 | 100. | 5.222 | 1.014 | 0.463 | 1.034 | 0.763 | 86.52 | 0.615 |
| Sweden | (SKr) | 46.93 | 8.711 | 7.688 | 2.275 | 0.884 | 2240 | 2.553 | 9.494 | 229.7 | 191.5 | 10 | 1.941 | 0.887 | 1.980 | 1.461 | 165.7 | 1.178 |
| Switzerland | (SFr) | 24.17 | 4.487 | 3.960 | 1.172 | 0.455 | 1154 | 1.315 | 4.890 | 118.3 | 98.63 | 5.151 | 1 | 0.457 | 1.020 | 0.753 | 85.33 | 0.607 |
| UK | (£) | 52.89 | 9.817 | 8.664 | 2.564 | 0.996 | 2525 | 2.877 | 10.70 | 258.9 | 215.8 | 11.27 | 2.188 | 1 | 2.232 | 1.647 | 186.7 | 1.328 |
| Canada | (C$) | 23.70 | 4.398 | 3.882 | 1.149 | 0.446 | 1131 | 1.289 | 4.794 | 116.0 | 96.68 | 5.049 | 0.980 | 0.448 | 1 | 0.738 | 83.65 | 0.595 |
| US | ($) | 32.11 | 5.961 | 5.260 | 1.557 | 0.605 | 1533 | 1.747 | 6.497 | 157.2 | 131.0 | 6.843 | 1.328 | 0.607 | 1.355 | 1 | 113.4 | 0.806 |
| Japan | (Y) | 28.33 | 5.258 | 4.641 | 1.373 | 0.533 | 1352 | 1.541 | 5.731 | 138.7 | 115.8 | 6.036 | 1.172 | 0.536 | 1.196 | 0.882 | 100. | 0.711 |
| Ecu | | 39.83 | 7.392 | 6.524 | 1.931 | 0.750 | 1901 | 2.166 | 8.057 | 195.0 | 162.5 | 8.486 | 1.648 | 0.753 | 1.681 | 1.240 | 140.6 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.6462 | 0.6448 | -0.0019 | 0.6467 | 0.6442 | 34,213 | 63,594 |
| Mar | 0.6488 | 0.6484 | -0.0019 | 0.6504 | 0.6477 | 8,025 | 19,390 |
| Jun | - | 0.6541 | - | - | - | 170 | 4,216 |

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.7592 | 0.7567 | -0.0039 | 0.7606 | 0.7558 | 28,545 | 45,932 |
| Mar | 0.7650 | 0.7629 | -0.0039 | 0.7664 | 0.7610 | 6,932 | 14,078 |
| Jun | - | 0.7697 | -0.0036 | - | 0.7697 | 36 | 1,300 |

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.8852 | 0.8842 | -0.0018 | 0.8865 | 0.8833 | 21,915 | 58,542 |
| Mar | 0.8972 | 0.8958 | -0.0018 | 0.8992 | 0.8948 | 5,651 | 12,717 |
| Jun | 0.9100 | 0.9069 | - | - | - | 17 | 1,049 |

■ STERLING FUTURES (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 1.6442 | 1.6464 | +0.0006 | 1.6492 | 1.6422 | 10,445 | 48,545 |
| Mar | 1.6408 | 1.6428 | +0.0002 | 1.6444 | 1.6380 | 3,256 | 6,616 |
| Jun | - | 1.6380 | - | - | 1.6380 | 1,001 | 2,283 |

## UK INTEREST RATES

### LONDON MONEY RATES

| Dec 9 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 5⅞ - 1 | 5$\frac{13}{16}$ - 5¾ | 6$\frac{1}{16}$ - 6 | 6$\frac{7}{32}$ - 6⅛ | 6$\frac{5}{16}$ - 6$\frac{7}{32}$ | 6$\frac{15}{32}$ - 6$\frac{13}{32}$ |
| Sterling CDs | - | - | 6⅛ - 6$\frac{1}{16}$ | 6$\frac{3}{16}$ - 6$\frac{7}{32}$ | 6$\frac{13}{32}$ - 6$\frac{11}{32}$ | 6$\frac{15}{32}$ - 6¾ |
| Treasury Bills | - | - | 5$\frac{15}{16}$ - 5⅞ | 6$\frac{1}{32}$ - 6$\frac{1}{32}$ | - | - |
| Bank Bills | - | - | 6 - 5⅞ | 6¼ - 6⅛ | 6$\frac{7}{16}$ - 6$\frac{3}{8}$ | - |
| Local authority deps. | 5⅞ - 5¼ | 5⅞ - 5¾ | 6⅛ - 6 | 6⅜ - 6¼ | 6$\frac{9}{16}$ - 6$\frac{7}{16}$ | 6⅞ - 6¾ |
| Discount Market deps | 6⅛ - 5½ | 5$\frac{15}{16}$ - 5$\frac{13}{16}$ | - | - | - | - |

UK clearing bank base lending rate 6 per cent from October 30, 1996

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 2½ | 5½ | 5 | 5 | 4¾ |

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¾pc.
Ave. tender rate of discount on Dec 6, 6.0773pc. ECGD fixed rate Stlg. Export Finance. Make up day Nov 29, 1996. Agreed rate for period Dec 25, 1996 to Jan 25, 1997, Scheme III 7.81pc. Reference rate for period Nov 1, 1996 to Nov 29, 1996, Schemes IV & V 6.373pc. Finance House Base Rate 6½pc from Dec 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 93.62 | 93.62 | +0.01 | 93.64 | 93.61 | 10042 | 93134 |
| Mar | 93.42 | 93.44 | +0.04 | 93.46 | 93.40 | 16509 | 97640 |
| Jun | 93.11 | 93.15 | +0.06 | 93.18 | 93.10 | 11834 | 85585 |
| Sep | 92.85 | 92.94 | +0.10 | 92.96 | 92.85 | 8724 | 55517 |
| Dec | 92.71 | 92.77 | +0.09 | 92.77 | 92.71 | 2883 | 40731 |

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

| Strike Price | CALLS Dec | Mar | Jun | PUTS Dec | Mar | Jun |
|---|---|---|---|---|---|---|
| 9350 | 0.14 | 0.13 | 0.10 | 0.02 | 0.19 | 0.45 |
| 9375 | 0.01 | 0.04 | 0.04 | 0.14 | 0.35 | 0.64 |
| 9400 | 0 | 0.01 | 0.02 | 0.38 | 0.57 | 0.87 |

Est. vol. total, Calls 2581 Puts 4257. Previous day's open int., Calls 246632 Puts 170458

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 6.00 | Cyprus Popular Bank | 6.00 | NatWestminster | 6.00 |
| Allied Irish Bank (GB) | 6.00 | Duncan Lawrie | 6.00 | ●Rea Brothers | 6.00 |
| Allied Trust Bank | 6.00 | Exeter Bank Limited | 7.00 | Royal Bk of Scotland | 6.00 |
| ●Henry Ansbacher | 6.00 | Financial & Gen Bank | 7.00 | ●Singer & Friedlander | 6.00 |
| Bank of Baroda | 6.00 | ●Robert Fleming & Co | 6.00 | ●Smith & Williamson Secs | 6.00 |
| Banco Bilbao Vizcaya | 6.00 | Girobank | 6.00 | Scottish Widows Bank | 6.00 |
| Bank of Cyprus | 6.00 | ●Guinness Mahon | 6.00 | TSB | 6.00 |
| Bank of Ireland | 6.00 | Habib Bank AG Zurich | 6.00 | United Bank of Kuwait | 6.00 |
| Bank of India | 6.00 | ●Hambros Bank | 6.00 | Unity Trust Bank Plc | 6.00 |
| Bank of Scotland | 6.00 | Heritable & Gen Inv Bk | 6.00 | Western Trust | 6.00 |
| Barclays Bank | 6.00 | ●Hill Samuel | 6.00 | Whiteaway Laidlaw | 6.00 |
| Brit Bk of Mid East | 6.00 | C. Hoare & Co | 6.00 | Yorkshire Bank | 6.00 |
| ●Brown Shipley & Co Ltd | 6.00 | Hongkong & Shanghai | 6.00 | | |
| Citibank NA | 6.00 | Julian Hodge Bank | 6.00 | ● Members of London Investment Banking Association | |
| Clydesdale Bank | 6.00 | ●Leopold Joseph & Sons | 6.00 | * In administration | |
| The Co-operative Bank | 6.00 | Lloyds Bank | 6.00 | | |
| Coutts & Co | 6.00 | Midland Bank | 6.00 | | |
| | | *Mount Credit Corp | 6.25 | | |

### EMS EUROPEAN CURRENCY UNIT RATES

| Dec 9 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Ireland | 0.796709 | 0.755784 | -0.007745 | -5.37 | 7.10 | 35 |
| Finland | 5.85424 | 5.79810 | +0.02049 | -0.96 | 2.32 | 6 |
| Portugal | 197.398 | 195.669 | +0.331 | -0.88 | 2.24 | 6 |
| Spain | 163.826 | 163.033 | +0.205 | -0.48 | 1.84 | 3 |
| Italy | 1906.48 | 1909.21 | -8.01 | 0.14 | 1.20 | -1 |
| Netherlands | 2.16979 | 2.17302 | +0.00484 | 0.15 | 1.19 | -1 |
| Belgium | 39.7191 | 39.9473 | +0.1016 | 0.57 | 0.76 | -4 |
| Germany | 1.92573 | 1.93748 | +0.00442 | 0.61 | 0.73 | -6 |
| Austria | 13.5485 | 13.6322 | +0.0325 | 0.62 | 0.72 | -5 |
| Denmark | 7.34555 | 7.41682 | +0.01434 | 0.97 | 0.37 | -7 |
| France | 6.45863 | 6.54539 | +0.01309 | 1.34 | 0.00 | -11 |
| NON ERM MEMBERS | | | | | | |
| Greece | 295.269 | 305.032 | -0.116 | 3.31 | -1.90 | - |
| UK | 0.793103 | 0.758864 | -0.008332 | -4.32 | 6.92 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

| Strike Price | CALLS Dec | Jan | Feb | PUTS Dec | Jan | Feb |
|---|---|---|---|---|---|---|
| 1.630 | 1.96 | 2.74 | 3.34 | 0.31 | 1.20 | 1.93 |
| 1.640 | 1.27 | 2.20 | 2.74 | 0.62 | 1.63 | 2.37 |
| 1.650 | 0.75 | 1.70 | 2.35 | 1.10 | 2.11 | 2.89 |

Previous day's vol., Calls 173 Puts 436. Prev. day's open int., Calls 33,691 Puts 65,992

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

| Strike Price | CALLS Dec | Jan | Feb | PUTS Dec | Jan | Feb |
|---|---|---|---|---|---|---|
| 0.635 | - | 1.54 | - | 0.06 | 0.28 | 0.46 |
| 0.640 | 0.80 | 1.20 | 1.53 | 0.16 | 0.41 | 0.62 |
| 0.645 | 0.48 | 0.89 | 1.23 | 0.32 | 0.61 | 0.85 |

Previous day's vol., Calls 6,601 Puts 4,219. Prev. day's open int., Calls 38,859 Puts 32,155

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 94.48 | 94.48 | - | 94.49 | 94.48 | 88,957 | 367,497 |
| Mar | 94.47 | 94.48 | +0.01 | 94.50 | 94.47 | 154,513 | 408,336 |
| Jun | 94.37 | 94.38 | +0.02 | 94.39 | 94.37 | 178,919 | 301,668 |

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 95.05 | 95.04 | +0.03 | 95.05 | 95.04 | 386 | 5,035 |
| Jun | - | 94.92 | +0.01 | 94.92 | - | 205 | 2,002 |
| Sep | 94.91 | 94.94 | +0.03 | - | - | - | 16 |

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

| Strike Price | CALLS Dec | Jan | Feb | Mar | PUTS Dec | Jan | Feb | Mar |
|---|---|---|---|---|---|---|---|---|
| 9675 | 0.03 | 0.12 | 0.14 | 0.18 | 0.02 | 0.03 | 0.05 | 0.07 |
| 9700 | 0 | 0.02 | 0.03 | 0.05 | 0.24 | 0.18 | 0.19 | 0.21 |
| 9725 | 0 | 0 | 0 | 0.01 | 0.49 | 0.41 | 0.41 | 0.42 |

Est. vol. total, Calls 31058 Puts 8442. Previous day's open int., Calls 582892 Puts 350848

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

| Strike Price | CALLS Dec | Mar | Jun | PUTS Dec | Mar | Jun |
|---|---|---|---|---|---|---|
| 9800 | 0.03 | 0.21 | 0.30 | 0.24 | 0.35 | 0.52 |
| 9825 | 0.01 | 0.11 | 0.19 | 0.47 | 0.50 | 0.68 |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 7311 Puts 3870

## COMMODITIES AND AGRICULTURE

# Worries over supply hit oil future prices

MARKETS REPORT

By Peter John and Kenneth Gooding

Oil futures traded lower yesterday as the market fretted about additional supply in the wake of Iraq's oil-for-food deal with the UN.

Mr Boutros Boutros-Ghali, UN secretary-general, gave final approval for Iraq's partial return to the world oil stage. Iraq was also already pushing for the quota to be doubled.

January Brent crude was quoted as low as $23.85 in late afternoon trading in London, down some 70 cents on Friday's close and below a $24 support level. By 6pm, January stocks had rallied to $23.92. Heating oil and gasoline were down by between $1.00 and $1.25 a gallon.

Several analysts were sceptical about the effect on prices of Iraq's $2bn deal – which will add between 500,000 and 600,000 barrels a day at current prices. They pointed out that while technically Iraq could begin to export today, it was unlikely *to be moving supplies for* several days because of technical problems.

They also pointed out that a boost to supply from Iraq would be offset by weather related surges in demand at a time when stocks are low.

Also, there was some relief from the ending of a nine-day strike at Elf Aquitaine's Donges refinery in western France, and concerns about a possible strike in Colombia faded away.

Tin prices dropped to their lowest level for 1½ years on the London Metal Exchange.

Selling by the Chinese ahead of the year-end was one likely reason for the fall, which started to become apparent on Friday, according to Mr William Adams, analyst at Rudolf Wolff, the Noranda subsidiary.

"Low tin prices have deterred sales for most of the year but the market's failure to pick up sufficiently to absorb export sales may now be leading to distress selling in order for the Chinese to make up their export quotas," he suggested.

China needs to meet this year's quota, fixed by agreement with other international producers, to be sure of being awarded a similar tonnage in 1997.

Tin for delivery in three months dropped to $5,810 a tonne at one point before recovering slightly in late trading to $5,840, down $180 from Friday's close.

In relatively thin trading, lead prices on the LME also weakened, touching their lowest for 13 months. After falling to $666 a tonne, lead closed at $666.50, down $13.50 from Friday. Dealers said rising LME stocks were weighing lead down.

On the London bullion market platinum prices sank *to a three-year low of $368 a* troy ounce amid rumours that investment funds were selling and so were the Russians, who were intent on filling export quotas for this year. Platinum closed in London at $368.30, down $1.45 an ounce from Friday.

Mr Ted Arnold, analyst at the Merrill Lynch financial services group, says in his latest report: "There are more than ample above-ground stocks of platinum for consumers at present. Production is rising steadily in South Africa, not falling away. Scrap recovery continues to go strongly ahead and Russian sales are unlikely to stop."

# High-tech help for coffee growers

Mexico's peasant coffee farmers are better known for social revolution than information revolution. But buffeted by see-saw prices, they are joining the electronic age in the hope that better knowledge of the market will raise their incomes and protect them against unscrupulous local middle men.

A huge satellite dish adorning the roof of the coffee growers' co-operative on the edge of the small town of Comitán, in the southern state of Chiapas, bears witness to how far the information revolution has spread into this traditionally remote and backward region.

The dish's high-technology presence contrasts starkly with the surrounding poverty and illiteracy which have proved fertile ground for the Zapatista guerrillas.

The co-operative, called Uncafesur, has a membership of more than 1,300 families, from whom it buys coffee. It prepares the coffee for export and sells it to Europe and North America.

One of the co-operative's biggest customers is the British company CafeDirect, which operates on the "fair trade" principle of cutting out local and international middle men and returning the saving, or premium, to the growers.

But ensuring that coffee growers actually receive a *fair deal depends on the* quality of market information.

Ms Olga van der Valk, a Dutch woman who works for Uncafesur and is married to a Mexican, said: "Information is the most serious barrier to getting a good price for our members."

The satellite dish installed last year pulls down signals from a company called Best Investment, in Guatemala City. With software supplied by Best Investment, Uncafesur can follow real-time New York coffee prices.

This immediate information is supplemented by a fortnightly market report faxed to Uncafesur by Twin Trading, a fair trade commodities dealer in London, which supplies Cafe Direct.

Written by Mr Richard Hide, Twin Trading's coffee expert, the bulletin concentrates on analysing market trends to provide a context for the sometimes bewildering figures jumping across Uncafesur's screen.

Mr Hide, a former City coffee trader, tries to explain the meaning of key figures such as differentials – the variations between New York world prices and the local prices farmers receive.

Reliable information is especially important for coffee producers. Coffee is one of the few main crops grown *mainly by small farmers*. The end of price regulation under the International Coffee Agreement in 1990 left farmers exposed to wild market fluctuations.

"They're starting to understand what's out there," said Mr Hide. "With the basics of farming know-how, quality control and market information, coffee producers can be as sophisticated as other people in coffee trading."

The Chiapas experience bears out his judgment. Armed with better information, farmers have begun to time sales more astutely.

Instead of selling at the beginning of the harvest in November or December, when they are often desperate for cash, farmers are better able to bide their time.

Knowing that Uncafesur can find foreign buyers at reasonable prices, the farmers are also breaking the old habit of selling at the height of the harvest in February, when prices are low.

This year, for the first time, farmers did not want their coffee to be sold immediately after delivery to Uncafesur. Instead, they left instructions to sell when the market was good.

Uncafesur's trading has become a reference for the region. Mr Arturo Jimenez Hernandez, a Chiapas coffee farmer and co-operative leader, said: "We have raised awareness of prices. Producers often didn't know what their coffee was worth."

That was a serious deficiency for families whose precarious earnings of, perhaps, $1,000 a year from coffee were much their most important source of cash.

But there is still a long way to go. Mr Jose Juarez Varela, a Uncafesur administrator, said: "Half our membership can't read or write. It takes half a day to explain anything to them."

The satellite dish not withstanding, Chiapas remains an inaccessible region. A meeting with farmers in the remote mountain co-operative of Kulaktik had to be translated into Spanish from the pre-Columbian Tzeltal language spoken by the indigenous population.

One speaker, clad in the traditional pointed black hat and brightly coloured waistcoat, thanked his visitors for making the journey and said: "We couldn't come to you because we don't know where you come from or how to get there."

**Michael Prest**

Humphrey Pring

Arturo Jimenez Hernandez, coffee grower and co-operative leader, inspects the crop

# Ukraine sees fall in sugar production

By Matthew Kaminski in Kiev

Ukraine's sugar production this year will be at least a fifth below 1995 levels, as the agriculture economy continues to stagnate.

The ex-Soviet Union's only surplus sugar producer, also the region's bread basket, expects sugar output of 2.8m tonnes in 1996, down from 3.5m tonnes last year, according to UkrTsukr, the state sugar concern.

A western sugar trading company suggests production might not even reach 2.6m tonnes. Ukrainian agricultural statistics tend to over-estimate output.

The fall in production and trade sanctions recently imposed by Russia, the biggest single foreign buyer, have already dampened Ukrainian sugar exports.

The statistics ministry this week said sugar exports in the first nine months of 1996 were 291,000 tonnes, less than half the 635,000 tonnes registered last year.

"For the sugar industry, this year is a catastrophe. They've even been quite lucky that the winter did not come so soon – it could have been worse," a Paris-based sugar trader said.

The drop reflects lingering economic problems within the unreformed agricultural sector, where collective farms have only slowly been broken up, as well as a one-month delay this year in planting sugar beet after a colder than usual winter.

Refineries' liquidity problems have prevented them from securing energy and beet supplies this year while the financially-strapped government in Kiev held back from handing out subsidies.

Nearly half the refineries have not finished processing and 20 plan to continue work until the new year.

# Vietnam in four-year deal to sell rice to Iraq

By Jeremy Grant in Hanoi

Iraq has agreed to buy about 300,000 tonnes of rice a year for the next four years from Vietnam under a memorandum of understanding that also provides for Vietnamese sales of about 65,000 tonnes of tea to Baghdad, according to local newspapers.

Hanoi regularly sends shipments of rice to Iraq in repayment for oil-related debts incurred in the late 1970s and early 1980s but the latest agreement is significant in that it involves sales.

Vietnam has said it expects to export 3m tonnes of rice this year, a 40 per cent increase on last year's figure.

However, it was not clear how much of the yearly figure would be bought by Baghdad and how much would change hands under existing barter arrangements.

The Iraqi minister of trade, Mr Mohamed Mahdi Saleh, also agreed with his Vietnamese counterpart on the establishment of a joint venture rice growing project, the Saigon Times Daily said.

The newspaper said Mr Saleh had told Vietnam that he hoped Hanoi would participate in the UN-supervised oil-for-food tender programme.

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE**

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1484.5-5.5 | 1514-5 |
| Previous | 1490.5-91.5 | 1519-20 |
| High/low | | 1522/1508 |
| AM Official | 1484-4.5 | 1513.5-4.0 |
| Kerb close | | 1508-9 |
| Open int. | 249,138 | |
| Total daily turnover | 49,401 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | | |
|---|---|---|
| Close | 1325-6 | 1354-5 |
| Previous | 1328-33 | 1358-63 |
| High/low | | 1360/1354 |
| AM Official | 1325-30 | 1350-55 |
| Kerb close | | 1354-55 |
| Open int. | 6,380 | |
| Total daily turnover | 1,688 | |

■ LEAD ($ per tonne)

| | | |
|---|---|---|
| Close | 661.5-2.5 | 668-9 |
| Previous | 674-5 | 681-2 |
| High/low | 660 | 678/666 |
| AM Official | 660-0.5 | 668.5-9.0 |
| Kerb close | | 666-7 |
| Open int. | 39,473 | |
| Total daily turnover | 6,892 | |

■ NICKEL ($ per tonne)

| | | |
|---|---|---|
| Close | 6745-55 | 6830-40 |
| Previous | 6775-85 | 6855-60 |
| High/low | 6720/6710 | 6860/6790 |
| AM Official | 6715-20 | 6790-800 |
| Kerb close | | 6818-20 |
| Open int. | 47,816 | |
| Total daily turnover | 12,709 | |

■ TIN ($ per tonne)

| | | |
|---|---|---|
| Close | 5835-45 | 5875-80 |
| Previous | 6005-15 | 6035-40 |
| High/low | | 6015/5810 |
| AM Official | 5905-10 | 5934-6 |
| Kerb close | | 5850-60 |
| Open int. | 15,611 | |
| Total daily turnover | 6,939 | |

■ ZINC, special high grade ($ per tonne)

| | | |
|---|---|---|
| Close | 1019.5-20.5 | 1044-45 |
| Previous | 1019-20 | 1042.5-43 |
| High/low | | 1045/1040 |
| AM Official | 1019-20 | 1041.5-2.0 |
| Kerb close | | 1041-2 |
| Open int. | 84,410 | |
| Total daily turnover | 29,889 | |

■ COPPER, grade A ($ per tonne)

| | | |
|---|---|---|
| Close | 2318-23 | 2148-50 |
| Previous | 2275-78 | 2135-36 |
| High/low | | 2154/2130 |
| AM Official | 2307-9 | 2143-4 |
| Kerb close | | 2132-3 |
| Open int. | 169,455 | |
| Total daily turnover | 51,684 | |

■ LME AM Official £/$ rate: 1.6440

LME Closing £/$ rate: 1.6473

Spot: 1.6482 3 mths: 1.6450 6 mths: 1.6407 9 mths: 1.6360

■ HIGH GRADE COPPER (COMEX)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 103.10 | -1.80 | 104.80 | 103.00 | 1,286 | 7,023 |
| Jan | 101.50 | -1.45 | 102.40 | 101.25 | 138 | 6,327 |
| Feb | 99.90 | -1.55 | 100.90 | 99.80 | 20 | 1,306 |
| Mar | 98.60 | -1.45 | 100.10 | 98.25 | 7,125 | 24,925 |
| Apr | 96.85 | -1.60 | 98.10 | 96.90 | 11 | 849 |
| May | 95.10 | -1.35 | 96.30 | 94.75 | 578 | 4,585 |

### PRECIOUS METALS

■ LONDON BULLION MARKET

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

### ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

### GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LIFFE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LIFFE (£/tonne)

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

FUTURES DATA

All futures data supplied by CMS.

### SOFTS

■ COCOA LIFFE (£/tonne)

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LIFFE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ WHITE SUGAR LIFFE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

VOLUME DATA

### INDICES

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 65.525 | +0.1 | 65.675 | 65.025 | 7,633 | 15,000 |
| Feb | 62.800 | +0.225 | 63.050 | 62.300 | 6,981 | 31,742 |
| Apr | 64.575 | -0.025 | 64.750 | 64.150 | 3,842 | 20,218 |
| Jun | 62.800 | -0.05 | 63.000 | 62.525 | 1,292 | 8,584 |
| Aug | 62.525 | +0.15 | 62.625 | 62.200 | 437 | 7,641 |
| Oct | 64.925 | -0.125 | 65.125 | 64.775 | 213 | 5,748 |
| Total | | | | | 22,441 | 98,163 |

■ LIVE HOGS CME (40,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Dec | 59.500 | +0.575 | 59.550 | 58.600 | 3,824 | 8,266 |
| Feb | 77.525 | +0.55 | 77.800 | 76.750 | 3,366 | 15,202 |
| Apr | 72.750 | +0.825 | 72.800 | 71.900 | 491 | 5,033 |
| Jun | 75.500 | +0.275 | 75.650 | 74.950 | 445 | 5,035 |
| Jul | 72.675 | +0.2 | 72.700 | 72.075 | 93 | 1,337 |
| Aug | 68.600 | +0.3 | 68.600 | 68.350 | 58 | 882 |
| Total | | | | | 8,112 | 36,767 |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Feb | 79.300 | +2.025 | 79.400 | 76.950 | 1,309 | 4,238 |
| Mar | 78.500 | +1.725 | 78.900 | 76.650 | 294 | 888 |
| May | 80.325 | +2.425 | 80.200 | 77.400 | 231 | 565 |
| Jul | 80.100 | +2.35 | 80.000 | 78.500 | 33 | 435 |
| Aug | 74.500 | +1.35 | 74.900 | 74.000 | 48 | 100 |
| Total | | | | | 1,842 | 6,228 |

### LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

| | Calls | | Puts | |
|---|---|---|---|---|
| ■ ALUMINIUM (99.7%) LME | Jan | Apr | Jan | Apr |
| 1475 | 39 | 86 | 18 | 42 |
| 1525 | 15 | 60 | 45 | 65 |
| 1575 | 4 | 40 | 85 | 94 |
| ■ COPPER (Grade A) LME | Jan | Apr | Jan | Apr |
| 2100 | 125 | 129 | 36 | 140 |
| 2200 | 69 | 90 | 78 | 199 |
| 2300 | 33 | 60 | 142 | 268 |
| ■ COFFEE LIFFE | Jan | Mar | Jan | Mar |
| 1300 | 30 | 37 | 27 | 104 |
| 1350 | 12 | 24 | 59 | 141 |
| 1400 | 6 | 15 | 103 | 182 |
| ■ COCOA LIFFE | Mar | May | Mar | May |
| 900 | 47 | 69 | 13 | 17 |
| 925 | 32 | 53 | 23 | 26 |
| 950 | 22 | 39 | 38 | 37 |
| ■ BRENT CRUDE IPE | Jan | Feb | Jan | Feb |
| 2300 | 90 | - | 5 | 84 |
| 2350 | - | 87 | 11 | - |
| 2400 | 19 | 71 | 27 | - |

### LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

| | | +or- |
|---|---|---|
| Dubai | $22.04-2.09w | -0.395 |
| Brent Blend (dated) | $24.15-4.19 | -0.48 |
| Brent Blend (Jan) | $23.92-3.96 | -0.31 |
| W.T.I. | $25.12-5.14w | -0.295 |

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

| | | |
|---|---|---|
| Premium Gasoline | $228-231 | -2 |
| Gas Oil | $218-220 | -7 |
| Heavy Fuel Oil | $116-118 | -4 |
| Naphtha | $229-231 | -2 |
| Jet fuel | $248-250 | -7 |
| Diesel | $233-234 | -7.5 |

■ NATURAL GAS (Pence/therm)

| | |
|---|---|
| Bacton (Jan) | 21.00-21.90 |

*Petroleum Argus. Tel. London (0171) 359 8792*

■ OTHER

| | | |
|---|---|---|
| Gold (per troy oz)♣ | $368.80 | -0.85 |
| Silver (per troy oz)♣ | 479.50c | |
| Platinum (per troy oz.) | $368.25 | -2.0 |
| Palladium (per troy oz.) | $117.00 | +1.5 |
| Copper | 116.0c | |
| Lead (US prod.) | 45.00c | |
| Tin (Kuala Lumpur) | 14.81r | -0.08 |
| Tin (New York) | 272.50 | -9.0 |
| Cattle (live weight) | 106.29p | -4.72* |
| Sheep (live weight) | 136.03p | -2.47* |
| Pigs (live weight)† | 87.69p | -5.41* |
| Lon. day sugar (raw) | $258.50 | +2.0 |
| Lon. day sugar (wte) | $304.80 | +1.7 |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | 127.0 | |
| Wheat (US Dark North) | Unq | |
| Rubber (Jan)♥ | 80.50p | -0.75 |
| Rubber (Feb)♥ | 80.50p | -0.75 |
| Rubber (KL RSS No1) | 316.5x | |
| Coconut Oil (Phil)§ | $780.0y | +7.5 |
| Palm Oil (Malay.)§ | 517.5x | |
| Copra (Phil)§ | 495.0 | +2.5 |
| Soyabeans (US) | 195.0z | -3.0 |
| Cotton Outlook 'A' index | 78.55 | |
| Wooltops (64s Super) | 398p | |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w Jan x Dec v Nov/Dec y Dec/Jan♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 736 head of pigs sold. ♦ New month of January.



## CROSSWORD

No.9,247 Set by ARMONIE

**ACROSS**

1 Advocate is to concede, having accepted conclusion (8)
5 An instrument that introduces a nursery rhyme (3-3)
9 A shoot embodies the whole vegetable (8)
10 A love to be in residence on board ship (6)
12 Gosh! Being buried in the beach is the worst aspect (5,4)
13 One in a flight coming from Paris erelong (5)
14 This type of malady is uncertain with the onset unseen (4)
16 Gist is unclear when noise interrupts the news (7)
19 Throw essayist a flower (7)
21 A lot of money for a plant (4)
24 Foreigner is married in Kent (5)
25 Hose vessel in an awkward situation (5,4)
27 Popular bird to keep in confinement (6)
28 Dismal grant is form of punishment (8)
29 Voracious journalist in cheerless environment (6)
30 Insolvent is angry with humanitarian organisation (3,5)

**DOWN**

1 Stop believer harbouring saint (6)
2 Motorists in endless, high-speed disturbance (6)
3 Marshal kept fifty pounds for a girl (5)
4 I've to support Archer. That's wearing! (7)
6 Fellow making shoe to put on (6,3)
7 I give you old mineral in a cube (8)
8 Tart cooked in service canteen provides support for the retired (8)
11 An aptitude to be dishonest (4)
15 God eats ancient royal plant (6,3)
17 Waterproof material remains in pitch (8)
18 Tease Ben unmercifully for being a deserter (8)
20 Performs on stage, appearing after John (4)
21 Journey overseas playing ragtime (7)
22 A handsome youth is a beginner in a sport (6)
23 The condition of being suspicious about shoddy goods (6)
26 Caught a fool lifting an item of clothing (5)

Solution to Saturday's prize puzzle on Saturday December 21.

Solution to yesterday's prize puzzle on Monday December 23.

هكذا من الأصل



# FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

| | Init Charge | Selling Price | Buying Price | + or - | Yield Gr's |
|---|---|---|---|---|---|
| **Fidelity Currency Funds Ltd** Pembroke Hall, Pembroke, Bermuda | | | | | |
| UK Post Advisers 0800 414181 Jersey 01534 71696 | | | | | |
| Private Clients 0800 414161 00 352 250404250 | | | | | |
| Fgn O'seas (44) 1732 777377 Hong Kong (852) 848 1000 | | | | | |
| A$ Accum | | A$10.279 | | +0.003 | 3.40 |
| ASch Accum | | Sch249.58 | | +0.02 | 2.10 |
| C$ Accum | | C$12.758 | | +0.001 | 2.55 |
| DM Accum | | DM38.417 | | +0.002 | 1.90 |
| DFl Accum | | Dfl31.729 | | +0.001 | 1.70 |
| ECU Accum | | Ecu13.546 | | +0.001 | 3.90 |
| FFr Accum | | FFr67.232 | | +0.004 | 2.20 |
| HK$ Accum | | HK$121.85 | | +0.01 | 4.30 |
| Lire Accum | | L23827 | | +4 | 6.70 |
| NZ$ Accum | | NZ$40.336 | | +0.008 | 7.90 |
| NKr Accum | | NKr112.98 | | +0.01 | 3.10 |
| S$ Accum | | S$26.118 | | +0.002 | 2.40 |
| SPta Accum | | Pta2759.8 | | +0.4 | 5.70 |
| £ Accum | | £13.711 | | +0.002 | 4.90 |
| SKr Accum | | SKr121.87 | | +0.01 | 3.30 |
| SFr Accum | | SFr29.486 | | — | 0.80 |
| US$ Accum | | $23.852 | | +0.003 | 4.40 |
| Yen Accum | | Y2080.8 | | — | 0.10 |

### BERMUDA (REGULATED)(**)

### GUERNSEY (SIB RECOGNISED)

### GUERNSEY (REGULATED)(**)

### IRELAND (SIB RECOGNISED)

| | Selling Price | Buying Price | + or - | Yield |
|---|---|---|---|---|
| Latin American US$ | $2.138 | | -0.033 | - |
| MFS Index Linked Bond | £1.049 | | -0.002 | - |
| MFS Sterling Bond | £1.060 | | +0.003 | - |
| Overseas Assets | £1.710 | | -0.007 | - |
| Reserve Assets Bond | £0.9971 | | +0.020 | 6.5 |
| Selector UK | £1.529 | | -0.001 | - |
| Selector UK US$ | $2.510 | | -0.002 | - |
| US Small Company | £1.651 | | +0.001 | - |
| **Murray Johnstone (Dublin) Ltd** Europa House, Harcourt St. Dublin 2 3531 407 2000 | | | | |
| Murray Global Accumulation Fund Plc | | | | |
| Murray Fixed Interest Bond . 2 | 103.76 | | -0.04 | 6.02 |

| | Selling Price | Buying Price | + or - | Yield |
|---|---|---|---|---|
| Malay Sing. | $144.87 | 152.22 | +1.82 | 0.08 |
| Nth American | $42.46 | 44.59 | -0.31 | 0.09 |
| Octopus Fund | $43.06 | 46.18xd | +0.12 | 0.00 |
| Pacific Fd. | $118.36 | 124.28 | +0.87 | 0.80 |
| International Bond | $20.41 | 21.44xd | +0.04 | 5.22 |
| Europe Fund | $23.16 | 24.32xd | -0.25 | 0.38 |
| Trinter Warrant | $33.34 | 35.01 | -0.15 | 0.00 |
| Hong Kong | $151.72 | 159.31xd | +1.76 | 0.81 |
| Global Emerging Mkts | $10.89 | 11.44 | -0.16 | 0.00 |
| Latin America | $13.37 | 14.04 | -0.18 | 0.00 |
| Currency Fd-US Dollar | $18.27 | | — | 4.95 |
| Curr Fd-Managed $ | $58.17 | 61.07 | +0.17 | 4.51 |
| Korea Feeder Fund | $6.02 | 6.33 | -0.16 | 0.00 |
| Europe Select Feeder | £0.976 | 1.025 | -0.018 | 0.00 |



| | Init Charge | Selling Price | Buying Price | + or - | Yield Gr's |
|---|---|---|---|---|---|
| **Odey Asset Management Ltd** 60 Harcourt Street, Dublin 2 00 3531 790 2400 | | | | | |
| Odey European Gth Inc. | | DM185.55 | | — | - |
| Odey European Gth Acc. | | DM185.16 | | — | - |
| Odey European Gth Inc. | | £83.71 | | — | - |
| Odey European Gth Acc. | | £83.95 | | — | - |
| **Old Mutual International Fd Mngrs Ltd (n)** | | | | | |

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Baring Mutual (Ireland) Ltd** | | | | |
| Australia Fixed Inc. | $12.54 | 13.33 | — | 8.00 |
| Greater America Fund '02 | $990.21 | | — | 0.08 |
| Pacific Emerging 94 A | $87.87 | | — | 0.00 |
| Pacific Emerging 94 B | $85.14 | | — | 0.00 |
| Latin America | $7.48 | | -0.01 | 0.08 |
| Taiwan Fund NAV | $10.90 | | — | 0.08 |
| **Berkshire KITC Growth Fund Plc** | | | | |
| NAV | 65.89 | | — | - |
| **Berkshire Korea Fund Plc** | | | | |

### ISLE OF MAN (SIB RECOGNISED)

### ISLE OF MAN (REGULATED)(**)

### JERSEY (SIB RECOGNISED)

### JERSEY (REGULATED)(**)

### IRELAND (REGULATED)(**)

Offshore Funds and Insurances

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## LUXEMBOURG (SIB RECOGNISED)

| | Init Notes Chrge | Selling Price | Buying Price | + or - | Yield Gr's |
|---|---|---|---|---|---|
| **ABN AMRO Funds (z)** | | | | | |
| 4 Rue Jean Monet, L-2180 Luxembourg 352 424949320 | | | | | |
| Latin America Equity | | $48.80 | 49.83 | — | - |
| North America Equity | | $84.13 | 84.65 | — | - |
| Asian Tigers Equity | | $63.56 | 63.98 | — | - |
| Europe Equity | | $74.52 | 74.89 | — | - |
| Germany Equity | | [illegible] | 138.88 | — | - |
| Japan Equity | | $47.98 | 48.48 | — | - |
| Europe Bond | | [illegible] | 82.02 | — | - |
| US Bond | | [illegible] | 59.82 | — | - |
| Global Bond | | $61.72 | 61.87 | — | - |
| Germany Bond 8 | | [illegible] | 109.78 | — | - |
| Spain Bond | | [illegible] | 10319 | — | - |
| Eastern Europe Equity F | | [illegible] | 161.07 | — | - |
| China Equity F | | $87.82 | 88.59 | — | - |
| Switzerland Equity | | [illegible] | 128.89 | — | - |
| **Abtrust Fund Mngrs Luxembourg SA (z)** | | | | | |
| 4 Boulevard Royal L 2449 Luxembourg 00 352 227001 | | | | | |
| Abtrust Atlas Fund | | | | | |
| Global Cap Portfolio | | $3.785 | | -0.072 | - |
| United States Portfolio | | $5.6546 | | [illegible] | - |
| Cont'l Europe Portfolio 0 | | DM6.454 | | -0.158 | - |
| Japan Portfolio | | [illegible] | | [illegible] | - |
| Pacific Portfolio | | $8.468 | | -0.110 | - |
| Gold Portfolio | | $8.271 | | -0.022 | - |
| UK Growth of Income | | £2.081 | | -0.041 | 3.61 |
| Dollar Portfolio | | $1.684 | | — | 7.08 |
| Sterling Portfolio | | £1.067 | | — | 6.30 |
| **Asian Master Fund (u) (x)** | | | | | |
| 21 avenue de la Liberte, L-1931, Lux 00 352 479 98500 | | | | | |
| Australasian NAV | | A$18.73 | | -0.43 | - |
| Austrian Nat NAV | | Sch65.20 | | -0.47 | - |
| Belgo/Lux NAV | | BFr768.06 | | -32.00 | - |
| Dutch Nat NAV | | D[illegible]40.89 | | -0.88 | - |
| French Nat NAV | | FFr137.16 | | -3.04 | - |

| | Init Notes Chrge | Selling Price | Buying Price | + or - | Yield Gr's |
|---|---|---|---|---|---|
| **Fidelity Funds - Contd.** | | | | | |
| Italy | | L14891 | | -286 | - |
| Japan Smlr Cos | | Y872.7 | | -8.9 | - |
| Korea F 0 | | $7.374 | | -0.064 | - |
| Latin America | | $8.626 | | -0.057 | - |
| Malaysia | | $34.90 | | -0.98 | - |
| Nordic | | SKr200.3 | | -2.3 | - |
| Singapore | | $25.98 | | -0.88 | - |
| Switzerland | | SFr18.39 | | -0.27 | - |
| Thailand | | $25.75 | | -0.71 | - |
| United Kingdom | | £1.147 | | -0.022 | - |
| Bond Funds | | | | | |
| European | | Ecu11.30 | | -0.06 | 6.87 |
| International | | $1.664 | | -0.004 | 9.27 |
| US Dollar | | $5.710 | | -0.015 | 5.79 |
| Sterling | | £0.282 | | -0.002 | 7.18 |
| Yen | | Y1004 | | -1 | 2.36 |
| Balanced | | | | | |
| European Balanced | | DM12.07 | | -0.10 | 1.82 |
| Prices as at December 6 | | | | | |
| **Fleming Group (u)** | | | | | |
| 6 Route De Trèves L-2633 Senningerberg Luxembourg | | | | | |
| 00 352 34101 or 0800 960 284 | | | | | |
| Internet: http://www.flemings.lu/ | | | | | |
| Fleming Flagship Fund (daily dealing) | | | | | |
| FFF American | | $54.06 | 57.10 | +0.58 | - |
| FFF Amer Fledgling F | | $64.83 | 67.74 | +1.38 | - |
| FFF Asian Smaller Cos F | | $10.47 | 11.06 | +0.17 | - |
| FFF China | | $14.35 | 15.39 | +0.75 | - |
| FFF Continental Europe F | | [illegible] | 39.40 | +0.53 | - |
| FFF DM Balanced F 5 | | [illegible] | 11.77 | +0.10 | - |
| FFF DM Bond 3 | | [illegible] | 11.37 | — | 6.80 |
| FFF Eastern European F | | [illegible] | 23.30 | +0.50 | - |
| FFF Eastern Oppt | | [illegible] | 23.84 | +0.25 | - |
| FFF Emerging Markets F | | [illegible] | 9.55 | +0.13 | - |
| FFF European | | [illegible] | 39.00 | +0.73 | - |
| FFF European Small Cos F | | [illegible] | 23.84 | +0.37 | - |
| FFF Global Conv F | | [illegible] | 16.82 | +0.05 | - |
| FFF India II | | $7.75 | 8.19 | +0.09 | - |

## LUXEMBOURG (REGULATED)(**)

## OFFSHORE INSURANCES

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# LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

| | Notes | Price | + or - | 52 week high | low | Mkt CapÂŁm | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Allied Domecq | q | 427½xd | +7 | 556 | 415½ | 4,435 | 6.9 | 12.9 |
| Bulmer (HP) | | 542½ | — | 626 | 477 | 285.4 | 3.0 | [illegible] |
| Burn St Dist | | 77 | — | 143 | 67½ | 42.1 | 8.0 | 75.5 |
| Glenmorangie A | | 847½xd | +10½ | 899 | 615 | 98.7 | 1.8 | 23.1 |
| Grand Met | | 443½ | +9 | 498 | 411 | 9,322 | 4.6 | 14.0 |
| Guinness | | 444 | +5 | 493 | 430 | [illegible] | 4.3 | 13.8 |
| Highland | | 343½xd | +3½ | 378 | 315 | 457.9 | 3.0 | 18.6 |
| 5¾pc Cnv Bds | | 97¾ | [illegible] | 101½ | 94¼ | - | - | - |
| Kirin Y | | 818 | +6¾ | [illegible] | [illegible] | [illegible] | 1.0 | 22.8 |
| Matthew Clark | | 279½ | — | 803 | 267½ | 243.8 | 10.9 | 11.1 |
| Merrydown | | 111½ | -1 | 147 | 91½ | 12.2 | 5.3 | 14.8 |
| Seagram $ | | £24¼ | — | [illegible] | [illegible] | [illegible] | 1.2 | - |

## BANKS, MERCHANT

## BANKS, RETAIL

## BREWERIES, PUBS & REST

## BUILDING & CONSTRUCTION

## BUILDING MATS. & MERCHANTS

## CHEMICALS

## CHEMICALS - Cont.

## DISTRIBUTORS

## DIVERSIFIED INDUSTRIALS

## ELECTRICITY

## ELECTRONIC & ELECTRICAL EQPT

## ENGINEERING



## ENGINEERING - Cont.

## ENGINEERING, VEHICLES

## EXTRACTIVE INDUSTRIES

## EXTRACTIVE INDUSTRIES - Cont.

## FOOD PRODUCERS

## FOOD PRODUCERS - Cont.

## GAS DISTRIBUTION

## HEALTH CARE

## HOUSEHOLD GOODS

## HOUSEHOLD GOODS - Cont.

## INSURANCE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.

## INV TRUSTS SPLIT CAPITAL

هكذا من الاصل



# LONDON SHARE SERVICE

## INV TRUSTS SPLIT CAPITAL - Cont.

## OTHER INVESTMENT TRUSTS

## INVESTMENT COMPANIES

## LEISURE & HOTELS

## LIFE ASSURANCE

## LIFE ASSURANCE - Cont.

## MEDIA

## OIL EXPLORATION & PRODUCTION

## OIL, INTEGRATED

## OTHER FINANCIAL

## PAPER, PACKAGING & PRINTING

## PAPER, PACKAGING & PRINTING - Cont.

## PHARMACEUTICALS

## PROPERTY



## PROPERTY - Cont.

## RETAILERS, FOOD

## RETAILERS, GENERAL

## SUPPORT SERVICES

## SUPPORT SERVICES - Cont.

## TELECOMMUNICATIONS

## TEXTILES & APPAREL

## TEXTILES & APPAREL - Cont.

## TOBACCO

## TRANSPORT

## WATER

## AIM

## AIM - Cont.

## AMERICANS

## CANADIANS

## SOUTH AFRICANS

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind | [illegible] | 2215 | — | *234¼ | 220¼ | 1,734 | 3.3 | ♦ |
| Barlow | [illegible] | 652xd | -3 | 1057 | 552 | 1,045 | 2.6 | ♦ |
| Gold Flds Prop R | | 138½ | +2¼ | 178 | 120 | 14.8 | 5.7 | 11.7 |
| MK Props | | 65 | — | 86 | 60 | 2.61 | 12.7 | – |
| SASOL | ♥ | 645 | — | 710 | 511 | 3,777 | 1.8 | – |
| SA Brews | | £14½xd | -1 | £20¼ | £14½ | 4,390 | 2.2 | ♦ |
| Standard Bank | | 2215 | -33 | 2327 | 2212 | 2,589 | 1.5 | 20.4 |
| Tiger Oats | | 789 | — | 1270 | 770 | 1,188 | 2.2 | ♦ |
| Tongaat-Hulett | | 751½xd | -9¼ | 1247 | 676¼ | 711.1 | 2.2 | ♦ |

## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other offical estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on latest year's earnings
z Dividend yield excludes a special payment

F Yield based on prospectus or other offical estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other offical estimates for 1995.
K Yield based on prospectus or other offical estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other offical estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other offical estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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Calls charged at 45p per minute cheap rate and 50p per minute at all other times.
An international service is available for callers outside the UK, annual subscription £250 stg.
Call 0171 873 4378 for more information on FT Cityline.
The share prices printed on these pages are also available on the internet at http://www.FT.com.

## LONDON STOCK EXCHANGE

# Footsie recoups over half of Friday's loss

MARKETS REPORT

By Steve Thompson, UK Stock Market Editor

"The way the market closed today you would never have thought that the FTSE 100 was showing a 168 point fall only one trading session ago," mused an old market hand in London yesterday.

Closing at the day's best and easily recapturing the 4,000 level, the FTSE recouped 48.6 points of Friday's 88.2 loss, ending the day at 4,011.6.

The astonishing turnround in sentiment in the UK market, as well as across Europe and Asia, reflected the resilient performance of Wall Street late on Friday, when it reduced an earlier 140-point decline on the Dow Jones Industrial Average to a 55 point drop.

And yesterday's opening performance by the US market, whose trends are almost invariably followed by the rest of the world, was also impressive. The Dow quickly climbed over 40 points and an hour after London closed, was 37 points ahead.

Friday's slump in global markets came in the wake of remarks made by Mr Alan Greenspan, chairman of the US Federal Reserve, which were interpreted by many investors as a warning about an overvalued Wall Street.

Some commentators adopted a defensive stance after the market's reaction to Greenspan. Mr Philip Wolstencroft, UK strategist at Merrill Lynch, said "We are mildly bullish on the UK market for 1997. The economic backdrop hasn't changed, Greenspan has simply said the US stock market is expensive. We agree; the UK market has lagged the US in a big way and UK company directors have been avid buyers in November. We would use price weakness to reinforce our 4,200 objective for the FTSE 100."

At NatWest Securities, Mr Bob Semple insisted: "The downside to the UK equity market is limited; at current levels UK equity valuations are not demanding. Earnings and dividend growth, particularly, are robust, while institutions are sitting on above average levels of cash. Buy into the red."

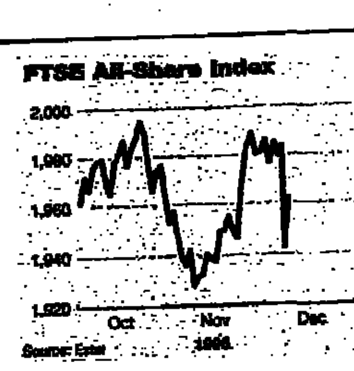
The market's fragility at the end of last week was not solely confined to the spillover from the US and Asia. Dealers continued to point to Conservative Party infighting over Europe. They also said the market would have to contend with Wednesday's meeting between the chancellor and the governor of the Bank of England as well as Thursday's by-election.

One common feature of the last two trading sessions was the relatively low levels of activity. Turnover at the 6pm reading yesterday came out at an unremarkable 549.4m shares, well down on Friday's 726.3m turnover.

But a close scrutiny of Friday's turnover showed that trading between marketmakers accounted for one third of overall business, well above usual levels. The value of intra-marketmaker deals was £1.07bn, by a considerable margin the highest daily level for many weeks,

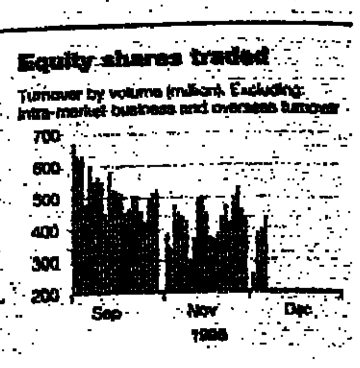
Customer business on Friday was £1.23bn, up on recent daily levels but a far cry from the £1.5bn to £2bn daily levels seen earlier this year.

FTSE All-Share Index




Equity shares traded

Turnover by volume (millions). Excluding: intra-market business and overseas turnover




### Indices and ratios

| | | |
|---|---|---|
| FTSE 100 | 4011.6 | +48.6 |
| FTSE 250 | 4385.0 | +36.9 |
| FTSE 350 | 1991.8 | +22.5 |
| FTSE All-Share | 1963.13 | +20.91 |
| FTSE All-Share yield | 3.84 | 3.86 |
| FT 30 | 2772.8 | +32.1 |
| FTSE Non-Fins p/e | 17.79 | 17.59 |
| FTSE 100 Fut Dec | 4024.0 | +69.0 |
| 10 yr Gilt yield | 7.58 | 7.56 |
| Long gilt/equity yld ratio | 2.01 | 1.99 |

### Best performing sectors

| | | |
|---|---|---|
| 1 | Tobacco | +5.0 |
| 2 | Diversified Industrials | +3.1 |
| 3 | Engineering: Vehicles | +2.0 |
| 4 | Breweries: Pubs & Rest | +1.8 |
| 5 | Alcoholic Beverages | +1.6 |

### Worst performing sectors

| | | |
|---|---|---|
| 1 | Water | -0.6 |
| 2 | Textiles & Apparel | +0.2 |
| 3 | Banks: Merchant | +0.2 |
| 4 | Food Producers | +0.2 |
| 5 | Electricity | +0.2 |

# BATs on the march

By Peter John and Lisa Wood

BAT Industries, the tobacco and financial services combine, was the best performing stock in the Footsie yesterday afternoon as the market put its money on some form of demerger.

The group's shares had started to rise last week on talk that a deal was being done between Commercial Union and BAT's financial arm, which includes Eagle Star and Allied Dunbar. There was also encouragement from a weighty recommendation published by Merrill Lynch.

Then, a press report that talks between CU and BAT were off calmed the speculation but weekend newspaper stories restored it. Analysts said yesterday that BAT has to do something with its financial services arm and, if CU is not interested, someone else will be.

Most brokers argue that the shares are far too cheap on fundamental grounds and only held back by concerns about US litigation. Yesterday, the stock recovered 25 to 476½p – more than making up for its losses on "frantic Friday", with the rise backed by respectable turnover of 7.9m shares. CU gained 4 to 664½p.

Bass rose 14½ to 803½p after the market digested the government's referral of the group's proposed acquisition of the majority of Carlsberg-Tetley to the Monopolies and Mergers Commission and an unexpected announcement by Bass of a possible hotels sale.

Initially, the price had tumbled to 770p after the MMC announcement, with analysts suggesting that market makers had over-reacted to the news. Most analysts had believed that the government would refer the deal, which will create the UK's largest brewer, although some had hoped that Bass might get off more lightly, with the government demanding a number of undertakings.

A recovery in the price during the day was strengthened by an unexpected confirmation by Bass that it was in discussion with Bristol Hotel Company in Dallas. The talks concern the possible acquisition by Bristol of Bass's Holiday Inn hotels in North America.

One analyst said the MMC referral was disappointing and that it would lead to four months of uncertainty for Bass, but he said the stock was undervalued and any weakness in the price was a buying opportunity.

Scottish & Newcastle rose 19 to 672½p, possibly in the wake of a recent "buy" note from SBC Warburg Securities.

A number of upgrades in forecasts for Wolverhampton & Dudley, following last week's results, was said to be responsible for the shares strengthening 13½ to 622p.

Grand Metropolitan hardened 9 to 443¾p. A "buy" note from Lehman Brothers said that it seemed firmly back on the growth track.

## BTR advances

The re-rating of BTR gathered pace as investors responded enthusiastically to the company's positive trading statement and the subsequent comment.

The stock was the only Footsie constituent to record a net gain after Friday's statement and yesterday the shares rallied a further 11½ to 249p in chunky turnover of 12m.

BTR said in the statement that second half performance should show an improvement over the first six months trading, when BTR's profits and dividend fell sharply.

One newspaper said the shares could merit a re-rating as they are currently trading at a prospective price/earnings ratio of more than 20 per cent below the market average.

Williams Holdings, the fire protection and security products group, rose 4½ to 343½p on a weekend press "buy" recommendation, which said that most analysts thought the company deserved a premium rating.

BBA jumped 9 to 358½p after the engineering group said it had agreed to buy International Airmotive Holding Company for £112.8m.

Carclo Engineering fell sharply when the company announced a drop in first-half profits and gave a downbeat statement. The shares fell 48½ to 202½p although no trading was recorded. The company posted a decline in profits for the half-year to £74m compared with £76m for the same period last year.

GEC advanced 5 to 368¾p after hints that the company was looking for overseas defence link-ups. One newspaper said GEC was looking at possible deals with French, Italian or German companies, after the French government called a halt to the sale of Thomson.

GEC was said to have preferred a tie-up between its defence arm GEC-Marconi and Thomson, but talks are not possible until France decides how to restructure its industry.

Racal Electronics bounced 8 to 246½p on positive weekend press comment, which said long-term holders of the stock should not be too gloomy and that Sir Ernest Harrison, the chairman, had a remarkable ability to spot opportunities.

Last week, the stock hit a year's low of 218p after the company issued a profits warning the day before releasing first-half results.

Electronic Data Processing rose 13 to 72½p after the company posted a drop in profits but said it had received significant orders since November for some of its new products.

Technology group BTG – already one of the UK's top performing stocks this year – jumped 75 to 2387½p after a press report said it should continue to rise and was on track to meet analysts' expectations this year.

Technology group Microvitec slumped 7½ to 20½p on a warning that profits for the year would be significantly below expectations.

Chiroscience rose 11 to 329p. The drug research company, said it had been granted "investigational new drug status" for levobupivacaine by the US Food & Drug Administration (FDA).

Biotech company Celltech gained 12½ to 500p, after announcing that its leukaemia drug could receive US marketing approval in 1998 if it performed well in a trial scheduled to start next year.

National Westminster Bank dipped 9 to 669½p against the trend in the sector with the shares held down by an overhang of stock washing around the market.

Cadbury Schweppes was the second worst performer on the FTSE 100, falling 9½ to 477p after ABN Amro Hoare Govett, its house broker, downgraded its pre-tax profits forecast for 1997 from £635m to £610, mainly because of currency considerations.

## FT 30 INDEX

| | Dec 9 | Dec 6 | Dec 5 | Dec 4 | Dec 3 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FT 30 | 2772.8 | 2740.7 | 2797.1 | 2793.1 | 2810.7 | 2644.1 | 2895.2 | 2658.8 |
| Ord. div. yield | 4.10 | 4.14 | 4.05 | 4.05 | 4.04 | 4.06 | 4.22 | 3.76 |
| P/E ratio net | 16.80 | 16.65 | 17.03 | 17.02 | 17.09 | 15.86 | 17.46 | 15.80 |
| P/E ratio nil | 16.65 | 16.49 | 16.87 | 16.86 | 16.93 | 15.68 | 17.30 | 15.71 |

FT 30 since compilation: high 2895.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2756.5 | 2762.7 | 2763.3 | 2762.2 | 2761.4 | 2763.7 | 2762.8 | 2767.5 | 2770.9 | 2772.8 | 2756.5 |

| | Dec 9 | Dec 6 | Dec 5 | Dec 4 | Dec 3 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 37,010 | 42,424 | 36,336 | 34,436 | 34,589 | 31,018 |
| Equity turnover (£m)† | - | 1231.6 | 1615.9 | 873.1 | 955.9 | 2210.7 |
| Equity bargains† | - | 22,986 | 20,301 | 19,674 | 22,029 | 36,729 |
| Shares traded (mil)† | - | 339.0 | 431.0 | 395.5 | 380.9 | 868.0 |

†Excluding intra-market business and overseas turnover.

| | Dec 9 | Dec 6 | Dec 5 | Dec 4 | Dec 3 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FTSE AIM | 1024.00 | 1019.80 | 1034.50 | 1035.10 | 1037.00 | - | 1146.40 | 965.70 |

 *For 1996.

### London market data

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 914 | Total Highs | 27 | Total contracts | 50,101 |
| Total Falls | 486 | Total Lows | 80 | Calls | 25,970 |
| Same | 1,176 | | | Puts | 24,131 |

Dec 9 *Data based on Equity shares listed on the London Share Service.

## FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 3990.0 | 4024.0 | +69.0 | 4031.0 | 3983.0 | 19086 | 48512 |
| Mar | 4015.0 | 4044.0 | +70.0 | 4048.5 | 4005.0 | 2136 | 10081 |
| Jun | 4041.0 | 4064.0 | +69.5 | 4064.0 | 4040.0 | 200 | 1983 |

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | - | 4403.5 | +37.5 | - | - | 0 | 3430 |
| Mar | 4453.5 | 4453.5 | +37.5 | 4453.5 | 4453.5 | 268 | 1920 |

FTSE 100 INDEX OPTION (LIFFE) (*4009) £10 per full index point

| | 3850 C | 3850 P | 3900 C | 3900 P | 3950 C | 3950 P | 4000 C | 4000 P | 4050 C | 4050 P | 4100 C | 4100 P | 4150 C | 4150 P | 4200 C | 4200 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Dec | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Jan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Feb | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Mar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Jun† | | | 257 | 102½ | | | 195½ | 140 | | | 145½ | 188½ | | | 161 | 247 |

Calls 14,270 Puts 14,954

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

| | 3825 C | 3825 P | 3875 C | 3875 P | 3925 C | 3925 P | 3975 C | 3975 P | 4025 C | 4025 P | 4075 C | 4075 P | 4125 C | 4125 P | 4175 C | 4175 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Dec | 282½ | 4 | 189½ | 7 | 118 | 11½ | 68½ | 20 | 38 | 37 | 15 | 66 | 5 | 105½ | 1 | 151½ |
| Jan | 226 | 14½ | 182 | 20½ | 141 | 29½ | 103 | 41½ | 78½ | 59 | 44 | 82½ | 26 | 114½ | 14½ | 153 |
| Feb | 258½ | 30½ | 215½ | 39½ | 176 | 50 | 140 | 64 | 108½ | 80½ | 78 | 102 | 54½ | 129½ | 37½ | 161½ |
| Mar | 257½ | 42 | 220 | 54 | 184 | 67 | 150 | 82½ | 118½ | 101 | 92½ | 123 | 70 | 150 | 51½ | 180 |
| Jun† | 318½ | 79 | | | 241½ | 107 | | | 188 | 142½ | | | 130½ | 189½ | | |

Calls 3,934 Puts 6,074 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

## LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1996 High | 1996 Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 90 | F.P. | 14.1 | 107½ | 100½ | †Access Plus | 100½xd | | sb3.45 | 1.6 | 4.3 | 13.3 |
| §70 | F.P. | 17.3 | 84½ | 72½ | Advanced Power | 75 | -½ | - | - | - | - |
| * | F.P. | 10.2 | 100 | 100 | †Archer Dedicated | 100 | | - | - | - | - |
| §157 | F.P. | 39.2 | 194½ | 170½ | Brands Hatch | 180 | | W3.5 | 1.9 | 2.4 | 18.1 |
| §130 | F.P. | 34.2 | 162½ | 130 | Brit Aircraft | 148½ | | L1.8 | 3.0 | 1.4 | 25.8 |
| §138 | F.P. | 50.5 | 168½ | 152½ | Car Group | 161½ | | W3.8 | 2.6 | 3.0 | 15.7 |
| §200 | F.P. | 38.1 | 246 | 229½ | Cadcentre | 229½ | -1 | L2.4 | 2.5 | 1.3 | 28.9 |
| 5 | F.P. | 6.25 | 6¾ | 5¾ | †Charterhse Comms | 6¾ | | W- | - | - | 14.0 |
| §115 | F.P. | 4.31 | 122½ | 120½ | †Dawn Til Dusk | 121½ | | - | - | - | 10.3 |
| §275 | F.P. | 70.7 | 327½ | 272½ | Druid Grp | 309 | | - | - | - | 33.6 |
| §92 | F.P. | 9.26 | 97½ | 97½ | Exeter Inv | 97½ | | W3.5 | 1.6 | 4.5 | 17.4 |
| - | F.P. | 61.6 | 623¾ | 616 | Finsbury Intl Hd | 616 | -7½ | - | - | - | - |
| § | F.P. | 30.6 | 610 | 572½ | First Russian C | 577½ | -2½ | - | - | - | - |
| 115 | F.P. | 14.0 | 130½ | 122½ | †Future Int Tels | 128½ | | - | - | - | - |
| §110 | F.P. | 41.5 | 122½ | 114½ | †Goshawk Insce | 122½ | | - | - | - | - |
| * | F.P. | 90.7 | 133 | 117½ | Grantchester | 128½ | -1½ | - | - | - | - |
| §50 | F.P. | 5.81 | 52½ | 47½ | †Kam River | 50½ | | - | - | - | - |
| §135 | F.P. | 25.6 | 142½ | 130½ | Oliver Ashworth | 131½ | | F4.6 | 1.9 | 4.4 | 11.7 |
| 125 | F.P. | 21.6 | 135½ | 122½ | Provend | 125 | +½ | RW3.6 | 2.4 | 3.6 | 12.8 |
| §90 | F.P. | 16.0 | 100½ | 94½ | †Recycling Servs | 98½ | | W3.2 | - | 4.1 | - |
| §125 | F.P. | 33.6 | 139½ | 130½ | Scot Highland Ht | 136 | | R3.0 | 2.4 | 2.7 | 13.8 |
| § | F.P. | 9.06 | 112½ | 110½ | Second St David | 110½ | | - | - | - | - |
| § | F.P. | 1.02 | 10½ | 9½ | Do Residual Cap | 9½ | | - | - | - | - |
| § | F.P. | 10.8 | 185 | 183 | Do Zero Div Prf | 184 | | - | - | - | - |
| §160 | F.P. | 16.6 | 226½ | 202 | Semple Cochrane | 213½ | +5 | - | - | - | 20.1 |
| 3 | F.P. | 25.8 | 3¾ | 3¾ | †Snakeboard | 3¾ | | - | - | - | - |

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

## FT GOLD MINES INDEX

| | Dec 6 | % chg on day | Dec 5 | Year ago | Gross div yield % | P/E ratio | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (32) | 1873.18 | -0.4 | 1879.78 | 1959.54 | 1.82 | - | 2520.73 | 1860.86 |
| Regional Indices | | | | | | | | |
| Africa (14) | 2192.81 | +1.2 | 2167.74 | 2487.58 | 3.50 | 31.48 | 3553.86 | 2151.14 |
| Australasia (6) | 2084.54 | -4.1 | 2174.58 | 2393.16 | 2.70 | 20.64 | 2827.34 | 2005.75 |
| North America (12) | 1758.64 | -0.2 | 1762.59 | 1753.54 | 0.74 | 66.58 | 2188.39 | 1848.45 |

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

## FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

| | Dec 9 | Day's chge% | Dec 6 | Dec 5 | Dec 4 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 4011.6 | +1.2 | 3963.0 | 4051.2 | 4045.2 | 3652.1 | 3.97 | 2.03 | 15.54 | 167.61 | 1875.74 |
| FTSE 250 | 4385.0 | +0.8 | 4348.1 | 4435.8 | 4421.9 | 3936.9 | 3.59 | 1.49 | 23.32 | 171.98 | 1793.30 |
| FTSE 250 ex IT | 4421.6 | +0.8 | 4384.7 | 4471.5 | 4459.2 | 3944.9 | 3.69 | 1.52 | 22.35 | 180.59 | 1812.47 |
| FTSE 350 | 1991.8 | +1.1 | 1969.3 | 2012.2 | 2008.5 | 1807.9 | 3.89 | 1.92 | 16.73 | 82.18 | 1699.63 |
| FTSE 350 Higher Yield | 1906.0 | +1.0 | 1887.1 | 1927.4 | 1916.3 | 1802.8 | 5.17 | 1.79 | 13.47 | 103.10 | 1370.50 |
| FTSE 350 Lower Yield | 2085.0 | +1.3 | 2058.7 | 2104.4 | 2106.1 | 1817.8 | 2.73 | 2.14 | 21.39 | 61.83 | 1463.95 |
| FTSE SmallCap | 2137.44 | +0.2 | 2132.79 | 2166.95 | 2162.77 | 1945.64 | 3.23 | 1.58 | 24.48 | 66.27 | 1783.72 |
| FTSE SmallCap ex IT | 2135.42 | +0.1 | 2133.49 | 2164.43 | 2161.69 | 1922.62 | 3.45 | 1.65 | 22.00 | 72.33 | 1795.17 |
| FTSE All-Share | 1963.13 | +1.1 | 1942.22 | 1983.73 | 1980.09 | 1782.04 | 3.84 | 1.90 | 17.13 | 79.64 | 1700.80 |

### FTSE Actuaries Industry Sectors

| | Dec 9 | Day's chge% | Dec 6 | Dec 5 | Dec 4 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(23) | 3865.03 | +1.5 | 3809.53 | 3880.88 | 3875.84 | 3177.04 | 3.69 | 1.71 | 19.82 | 142.73 | 1694.10 |
| 12 Extractive Industries(6) | 4135.66 | +1.3 | 4080.74 | 4182.56 | 4195.62 | 4217.38 | 3.92 | 2.66 | 11.98 | 162.00 | 1232.63 |
| 15 Oil, Integrated(3) | 3999.84 | +1.5 | 3941.29 | 4008.09 | 4004.78 | 3222.74 | 3.86 | 1.55 | 20.88 | 154.36 | 1801.49 |
| 16 Oil Exploration & Prod(14) | 2892.60 | +1.4 | 2853.88 | 2927.45 | 2892.20 | 1952.69 | 1.83 | 1.73 | 39.62 | 52.93 | 1753.28 |
| 20 GEN INDUSTRIALS(275) | 1962.44 | +1.4 | 1936.07 | 1968.97 | 1964.94 | 1915.25 | 4.38 | 1.64 | 17.36 | 81.66 | 1096.25 |
| 21 Building & Construction(34) | 1150.29 | +0.6 | 1143.28 | 1155.73 | 1155.67 | 1006.80 | 3.68 | 1.47 | 23.11 | 40.70 | 981.14 |
| 22 Building Matls & Merchs(29) | 1789.32 | +0.8 | 1775.50 | 1810.75 | 1805.06 | 1743.57 | 4.33 | 1.40 | 20.63 | 77.54 | 924.62 |
| 23 Chemicals(25) | 2361.86 | +0.6 | 2348.01 | 2378.28 | 2356.21 | 2305.76 | 4.37 | 1.44 | 19.87 | 102.40 | 1146.34 |
| 24 Diversified Industrials(19) | 1415.64 | +3.1 | 1372.73 | 1376.23 | 1370.97 | 1727.88 | 7.19 | 1.54 | 11.33 | 90.53 | 816.81 |
| 25 Electronic & Elect Equip(36) | 2231.72 | +1.2 | 2205.47 | 2239.90 | 2238.77 | 2099.50 | 3.54 | 1.34 | 26.28 | 65.09 | 1177.44 |
| 26 Engineering(71) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 27 Engineering, Vehicles(14) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 28 Paper, Pckg & Printing(28) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 29 Textiles & Apparel(19) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 30 CONSUMER GOODS(92) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 32 Alcoholic Beverages(6) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 33 Food Producers(25) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 34 Household Goods(15) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 36 Health Care(18) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 37 Pharmaceuticals(14) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 38 Tobacco(2) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 40 SERVICES(252) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 41 Distributors(30) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 42 Leisure & Hotels(25) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 43 Media(44) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 44 Retailers, Food(14) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 45 Retailers, General(45) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 47 Breweries, Pubs & Rest.(21) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 48 Support Services(50) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 49 Transport(23) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 60 UTILITIES(33) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 62 Electricity(12) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 64 Gas Distribution(2) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 66 Telecommunications(8) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 68 Water(11) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 69 NON-FINANCIALS(685) | 2042.71 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 70 FINANCIALS(104) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 71 Banks, Retail(9) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 72 Banks, Merchant(6) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 73 Insurance(21) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 74 Life Assurance(7) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 77 Other Financial(20) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 79 Property(42) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 80 INVESTMENT TRUSTS(128) | 3141.35 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 89 FTSE All-Share(916) | 1963.13 | +1.1 | 1942.22 | 1983.73 | 1980.09 | 1782.04 | 3.84 | 1.90 | 17.13 | 79.64 | 1700.80 |
| FTSE Fledgling | 1205.52 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Fledgling ex IT | 1218.82 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 15.10 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE 250 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE 350 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Time of FTSE 100 Day's high: 4:29 PM Day's low: 8:50 AM. FTSE 100 1996 High: 4073.1 (21/10/96) Low: 3632.3 (16/07/96).

### FTSE 350 Industry baskets

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 15.10 | 16.10 | Close | Previous | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bldg & Cnstrcn | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Pharmaceuticals | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Water | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Banks, Retail | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries.  "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

## TRADING VOLUME

### Major Stocks Yesterday

| | Vol 000s | Closing price | Day's change |
|---|---|---|---|
| 3i† | 2,700 | 493xd | +3 |
| ASDA Group† | 7,800 | 119¾ | +2¾ |
| Abbey National† | 2,900 | 691 | +10 |
| Albert Fisher | 1,700 | 41¼ | +1 |
| Allied Domecq† | 3,800 | 427½ | +7 |
| Anglian Water | 439 | 586½xd | -3¼ |
| Argos† | 150 | 774 | +6 |
| Arjo Wiggins | 344 | 156 | +3 |
| Assoc. Brit. Foods† | 1,200 | 434½ | +2 |
| Assoc. Brit. Ports | 46 | 271½ | +3 |
| BAA† | 1,100 | 482 | +8 |
| BAT Inds.† | 8,400 | 476½ | +25 |
| BBA | 2,700 | 353½ | +9 |
| BICC | 678 | 268 | +3½ |
| BOC† | 574 | 897½ | +½ |
| BP† | 2,800 | 685½ | +10½ |
| BPB | 790 | 365xd | +9 |
| BSkyB† | 2,400 | 501½ | +8 |
| BT† | 10,100 | 393½ | -3½ |
| BTR† | 13,000 | 249 | +11½ |
| Bank of Scotland† | 2,200 | 290 | +3 |
| Barclays† | 1,300 | 1022½ | +20½ |
| Bass† | 1,800 | 803½ | +14½ |
| Blue Circle† | 2,100 | 364½ | +1½ |
| Booker | 1,400 | 390½ | -3 |
| Boots† | 2,100 | 621½ | +11 |
| Britannic | 38 | 745 | +1½ |
| Brit. Aerospace† | 533 | 1121 | +18½ |
| British Airways† | 4,200 | 601 | +21½ |
| British Biotech | 433 | 203½ | +6 |
| British Energy | 2,700 | 141½xd | +8½ |
| British Gas† | 4,800 | 217½ | +2½ |
| British Land | 282 | 487½ | +3½ |
| British Steel† | 4,400 | 162¼ | +2½ |
| Bunzl | 439 | 220 | +3½ |
| Burmah Castrol† | 585 | 1045½ | +25½ |
| Burton† | 3,200 | 149½ | +2½ |
| Cable & Wire† | 5,200 | 450½ | +13 |
| Cadbury Schweppes† | 2,800 | 477 | -9½ |
| Caradon | 7,400 | 238½ | +1 |
| Carlton Comms.† | 1,300 | 489 | +16 |
| Chubb | 404 | 330½ | -2½ |
| Coats Viyella | 260 | 126 | |
| Comm. Union† | 2,300 | 664½ | +4 |
| Compass | 849 | 617½ | +12 |
| Cookson | 3,400 | 213½ | +8 |
| Courtaulds† | 442 | 389½ | +3½ |
| Dalgety | 433 | 321 | +1½ |
| De La Rue | 93 | 546 | +3½ |
| Dixons† | 939 | 563½ | +6 |
| EMI† | 942 | 1336 | +6 |
| East Midland Elect. | 690 | 623½ | -½ |
| Electrocomps | 475 | 460½ | +2 |
| Eng China Clays | 380 | 173½ | +8 |
| Enterprise Oil† | 335 | 580½ | +8 |
| FKI | 1,400 | 199½xd | +1¼ |
| Foreign & Col. I.T. | 819 | 150¼ | +1½ |
| Gen. Accident† | 1,700 | 713½ | +7 |
| General Elect.† | 7,300 | 368½ | +5 |
| Glaxo Wellcome† | 10,200 | 938½ | +1 |
| Glynwed | 250 | 345 | +4 |
| Granada† | 1,100 | 881½ | +9 |
| Grand Met.† | 2,400 | 443½ | +9 |
| GUS† | 1,900 | 634½ | +9 |
| Greenalls | 299 | 598 | +6½ |
| GRE† | 1,500 | 273 | +10 |
| GKN† | 452 | 1067½ | +29½ |
| Guinness† | 1,200 | 444 | +5 |
| HSBC (75p shs)† | 1,800 | 1287 | +8 |
| Hammerson | 429 | 379½ | +1½ |
| Hanson† | 6,700 | 82¼ | +3¼ |
| Harrisons Crosfield | 4,700 | 128½ | -½ |
| Hays | 2,000 | 540 | +4 |
| Hillsdown | 4,800 | 167½ | +1½ |
| Hyder | 369 | 753½xd | +8½ |
| IMI | 1,100 | 369 | +5½ |
| ICI† | 2,200 | 790½ | +8½ |
| Imperial Tobacco† | 1,600 | 369½ | +3½ |
| Inchcape | 149 | 256 | +6 |
| Johnson Matthey | 61 | 532½xd | +7 |
| Kingfisher† | 2,800 | 636 | +3½ |
| Kwik Save | 94 | 308 | +7½ |
| Ladbroke† | 1,600 | 214 | +4½ |
| Land Securities† | 470 | 727½ | +1½ |
| Laporte | 223 | 674 | +6½ |
| Legal & General† | 1,300 | 357½ | +7½ |
| Lloyds Abbey | 1,400 | 854 | +8 |
| Lloyds TSB† | 10,300 | 415½ | +8½ |
| LASMO† | 1,400 | 216 | +8 |
| London Elect | 439 | 642½ | -4 |
| Lonrho | [illegible] | [illegible] | [illegible] |
| Lucas Varity | [illegible] | [illegible] | [illegible] |
| MEPC | [illegible] | [illegible] | [illegible] |
| MFI | [illegible] | [illegible] | [illegible] |
| Marks & Spencer† | [illegible] | [illegible] | [illegible] |
| Mercury Asset Man | [illegible] | [illegible] | [illegible] |
| Morrison (Wm.) | [illegible] | [illegible] | [illegible] |
| NFC | [illegible] | [illegible] | [illegible] |
| NatWest Bank† | [illegible] | [illegible] | [illegible] |
| National Grid† | [illegible] | [illegible] | [illegible] |
| National Power† | [illegible] | [illegible] | [illegible] |
| Next | [illegible] | [illegible] | [illegible] |
| Northern Elect. | [illegible] | [illegible] | [illegible] |
| Northern Foods | [illegible] | [illegible] | [illegible] |
| Orange† | [illegible] | [illegible] | [illegible] |
| P & O† | [illegible] | [illegible] | [illegible] |
| Pearson† | [illegible] | [illegible] | [illegible] |
| Pilkington | [illegible] | [illegible] | [illegible] |
| PowerGen† | [illegible] | [illegible] | [illegible] |
| Premier Farnell | [illegible] | [illegible] | [illegible] |
| Prudential† | [illegible] | [illegible] | [illegible] |
| RMC | [illegible] | [illegible] | [illegible] |
| RTZ† | [illegible] | [illegible] | [illegible] |
| Racal | [illegible] | [illegible] | [illegible] |
| Railtrack | [illegible] | [illegible] | [illegible] |
| Rank Group† | [illegible] | [illegible] | [illegible] |
| Reckitt & Colman† | [illegible] | [illegible] | [illegible] |
| Redland | [illegible] | [illegible] | [illegible] |
| Reed Intl† | [illegible] | [illegible] | [illegible] |
| Rentokil Initial† | [illegible] | [illegible] | [illegible] |
| Reuters† | [illegible] | [illegible] | [illegible] |
| Rexam | [illegible] | [illegible] | [illegible] |
| Rolls-Royce† | [illegible] | [illegible] | [illegible] |
| Royal & Sun Alliance† | [illegible] | [illegible] | [illegible] |
| Royal Bk Scotland† | [illegible] | [illegible] | [illegible] |
| Safeway† | [illegible] | [illegible] | [illegible] |
| Sainsbury† | [illegible] | [illegible] | [illegible] |
| Schroders | [illegible] | [illegible] | [illegible] |
| Scot. & New.† | [illegible] | [illegible] | [illegible] |
| Scot. Hydro-Elect. | [illegible] | [illegible] | [illegible] |
| Scottish Power† | [illegible] | [illegible] | [illegible] |
| Sears | [illegible] | [illegible] | [illegible] |
| Sedgwick | [illegible] | [illegible] | [illegible] |
| Severn Trent | [illegible] | [illegible] | [illegible] |
| Shell Transport† | [illegible] | [illegible] | [illegible] |
| Siebe† | [illegible] | [illegible] | [illegible] |
| Slough Ests | [illegible] | [illegible] | [illegible] |
| Smith (WH) | [illegible] | [illegible] | [illegible] |
| Smith & Nephew† | [illegible] | [illegible] | [illegible] |
| SmithKline Beecham† | [illegible] | [illegible] | [illegible] |
| Smiths Inds | [illegible] | [illegible] | [illegible] |
| Southern Elect | [illegible] | [illegible] | [illegible] |
| South West Water | [illegible] | [illegible] | [illegible] |
| Standard Chartd.† | [illegible] | [illegible] | [illegible] |
| Storehouse | [illegible] | [illegible] | [illegible] |
| T & N | [illegible] | [illegible] | [illegible] |
| TI Group† | [illegible] | [illegible] | [illegible] |
| Tarmac | [illegible] | [illegible] | [illegible] |
| Tate & Lyle† | [illegible] | [illegible] | [illegible] |
| Taylor Woodrow | [illegible] | [illegible] | [illegible] |
| TeleWest Comms | [illegible] | [illegible] | [illegible] |
| Tesco† | [illegible] | [illegible] | [illegible] |
| Thames Water† | [illegible] | [illegible] | [illegible] |
| Tomkins† | [illegible] | [illegible] | [illegible] |
| Unigate | [illegible] | [illegible] | [illegible] |
| Unilever† | [illegible] | [illegible] | [illegible] |
| United Biscuits | [illegible] | [illegible] | [illegible] |
| Utd. News & Media† | [illegible] | [illegible] | [illegible] |
| United Utilities† | [illegible] | [illegible] | [illegible] |
| Vodafone† | [illegible] | [illegible] | [illegible] |
| WPP | [illegible] | [illegible] | [illegible] |
| Wassall | [illegible] | [illegible] | [illegible] |
| Whitbread† | [illegible] | [illegible] | [illegible] |
| Williams Hldgs† | [illegible] | [illegible] | [illegible] |
| Willis Corroon | [illegible] | [illegible] | [illegible] |
| Wimpey | [illegible] | [illegible] | [illegible] |
| Wolseley | [illegible] | [illegible] | [illegible] |
| Yorkshire Elect | [illegible] | [illegible] | [illegible] |
| Yorkshire Water | [illegible] | [illegible] | [illegible] |
| Zeneca† | [illegible] | [illegible] | [illegible] |

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are rounded. Source: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

# WORLD STOCK MARKETS

## EUROPE

AUSTRIA (Dec 9 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Dec 9 / Frs.)

[illegible]

CZECH REP (Dec 9 / Koruna)

[illegible]

DENMARK (Dec 9 / Kr)

[illegible]

FINLAND (Dec 9 / Mka)

[illegible]

FRANCE (Dec 9 / Frs.)

[illegible]

GERMANY (Dec 9 / Dm.)

[illegible]

GREECE (Dec 9 / Drachma)

[illegible]

ITALY (Dec 9 / Lire)

[illegible]

NETHERLANDS (Dec 9 / Fls.)

[illegible]

NORWAY (Dec 9 / Kroner)

[illegible]

POLAND (Dec 9 / Zloty)

[illegible]

PORTUGAL (Dec 9 / Escudo)

[illegible]

SPAIN (Dec 9 / Pts.)

[illegible]

SWEDEN (Dec 9 / Kronor)

[illegible]

SWITZERLAND (Dec 9 / Frs.)

[illegible]

TURKEY (Dec 9 / TL Lira)

[illegible]



## PACIFIC

JAPAN (Dec 9 / Yen)

[illegible]

HONG KONG (Dec 9 / H.K.$)

[illegible]

INDONESIA (Dec 9 / Rupiah)

[illegible]

MALAYSIA (Dec 9 / MYR)

[illegible]

NEW ZEALAND (Dec 9 / NZ $)

[illegible]

SINGAPORE (Dec 9 / S$)

[illegible]

AUSTRALIA (Dec 9 / Aust$)

[illegible]

SOUTH KOREA (Dec 9 / Won)

[illegible]

TAIWAN (Dec 9 / TW $)

[illegible]

THAILAND (Dec 9 / Baht)

[illegible]

## AFRICA

SOUTH AFRICA (Dec 9 / Rand)

[illegible]

## NORTH AMERICA

CANADA

TORONTO (Dec 9 / Can $) 4 pm close

[illegible]

MONTREAL (Dec 9 / Can $) 4 pm close

[illegible]

## INDICES

[illegible]

## INDEX FUTURES

[illegible]

## US INDICES

| Dow Jones | Dec 6 | Dec 5 | Dec 4 | 1996 High | 1996 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 6381.94 | 6437.10 | 6422.94 | 6547.79 (25/11) | 5032.94 (10/1) | 6547.79 (25/11/96) | 41.22 (8/7/32) |
| Home Bonds | 103.33 | 103.57 | 103.74 | 106.09 (14/2) | 100.90 (15/7) | 109.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 2274.16 | 2315.47 | 2308.38 | 2315.47 (5/12) | 1882.71 (18/1) | 2315.47 (5/12/96) | 13.23 (8/7/32) |
| Utilities | 231.48 | 233.86 | 233.51 | 238.12 (25/11) | 204.86 (30/7) | 259.48 (31/8/93) | 16.53 (8/7/32) |

DJ Ind. Day's high 6441.20 (6491.14) Low 6274.24 (6363.31 ) (Theoretical♣)
Day's high 6433.38 (6452.01) Low 6292.50 (6402.07) (Actual♣)

| Standard and Poors | Dec 6 | Dec 5 | Dec 4 | 1996 High | 1996 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 739.60 | 744.38 | 745.10 | 757.03 (25/11) | 598.48 (10/1) | 757.03 (25/11/96) | 4.40 (1/6/32) |
| Industrials¥ | 868.47 | 875.37 | 875.16 | 887.49 (2/12) | 702.07 (15/1) | 887.49 (2/12/96) | 3.52 (30/6/32) |
| Financial | 81.60 | 81.31 | 82.00 | 84.93 (29/11) | 58.67 (10/1) | 84.93 (29/11/96) | 7.13 (4/9/74) |
| NYSE Comp. | 388.15 | 392.75 | 393.23 | 398.86 (25/11) | 321.41 (10/1) | 398.86 (25/11/96) | 4.64 (25/4/42) |
| Amex Mkt Val | 585.70 | 590.03 | 588.99 | 614.99 (22/5) | 525.60 (16/7) | 614.99 (22/5/96) | 29.13 (9/12/74) |
| NASDAQ Cmp | 1287.68 | 1300.12 | 1297.02 | 1300.37 (3/12) | 986.67 (15/1) | 1300.37 (3/12/96) | 54.87 (3/10/74) |

### ■ RATIOS

| | Dec 6 | Nov 29 | Nov 22 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.05 | 2.02 | 2.06 | 2.27 |
| | Dec 4 | Nov 27 | Nov 20 | Year ago |
| S & P Ind. Div. yield | 1.83 | 1.81 | 1.84 | 1.95 |

### ■ NEW YORK ACTIVE STOCKS

[illegible]

### ■ TRADING ACTIVITY

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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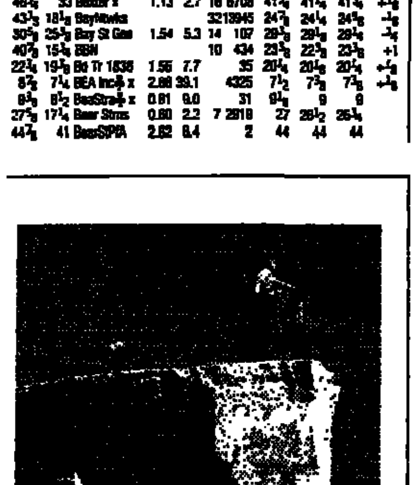
### ■ TOKYO - MOST ACTIVE STOCKS: Monday, December 9, 1996

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Ricoh Co | 5.2m | 1330 | +40 | Honda Motor | 2.4m | 3260 | +10 |
| Toyota Motor | 3.4m | 3250 | +70 | Fuji Bank | 2.1m | 1850 | +30 |
| NEC Corp | 3.3m | 1380 | +20 | Canon | 2.1m | 2550 | +50 |
| Mitsubishi Hvy | 2.9m | 935 | +16 | Fujitsu | 2.0m | 1080 | +10 |
| Osaka Gas | 2.9m | 331 | +1 | Bk Tk-M'bishi | 2.0m | 2190 | +10 |

4 pm close December 9

# NEW YORK STOCK EXCHANGE PRICES

| 1996 High | 1996 Low | Stock | Div | Yld % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 31¼ | 17¾ | AAR | 0.48 | 1.6 | 26 | 841 | 30⅛ | 29⅛ | 29⅞ | +⅛ |
| 46⅛ | 33 | AMP | 1.00 | 2.6 | 18 | 3730 | 38⅛ | 37⅝ | 37⅞ | +¼ |
| 97½ | 68 | AMR | | | 18 | 2721 | 91¾ | 89⅞ | 91¾ | +2¼ |
| 50½ | 36⅞ | ASA | 1.40 | 3.7 | 25 | 254 | 38¼ | 37⅝ | 37¾ | -⅛ |
| 57⅞ | 38⅛ | AbbtL | 0.96 | 1.8 | 23 | 5363 | 53⅞ | 53 | 53⅞ | +1⅛ |
| 17¼ | 12¾ | Abitibi Pr x | 0.40 | 2.7 | 7 | 398 | 14⅝ | 14¼ | 14⅝ | +⅜ |
| 20¼ | 13½ | ABM Ind | 0.35 | 2.1 | 17 | 158 | 17⅛ | 16⅝ | 16⅝ | -⅜ |
| 22½ | 13⅞ | Acptocain | | | 10 | 135 | 20¾ | 20⅛ | 20½ | +⅜ |
| 60 | 37¼ | ACE Ltd | 0.58 | 0.9 | 14 | 745 | 59¼ | 57⅝ | 59¼ | +½ |
| 10⅜ | 9⅛ | ACM Gvt In | 0.86 | 8.5 | 8 | 282 | 10¼ | 10⅛ | 10⅛ | |
| 7⅞ | 6⅝ | ACM GvOpp x | 0.57 | 7.9 | | 459 | 7¼ | 7⅛ | 7¼ | +⅛ |
| 9⅞ | 8⅜ | ACM Man x | 0.90 | 9.4 | | 231 | 9¼ | 9⅝ | 9⅝ | |
| 13⅞ | 6⅛ | Acme Elect | 0.32 | 4.2 | 58 | 167 | 7⅝ | 7¼ | 7⅝ | +¼ |
| 21⅝ | 13⅞ | Acme Mtr | | | 14 | 74 | 20 | 19¼ | 19⅞ | -⅛ |
| 33¾ | 27¾ | Acordia x | 0.80 | 2.7 | 14 | 16 | 29⅝ | 29½ | 29½ | -⅛ |
| 24¾ | 12 | Acuson | | | 111 | 850 | 23½ | 23¼ | 23⅜ | +¼ |
| 21⅛ | 17⅞ | Adams Exp | 0.55 | 2.8 | 1 | 282 | 19¾ | 19½ | 19¾ | +¼ |
| 29⅝ | 10¼ | AdvMic | | | 27 | 13184 | u29⅝ | 28 | 28⅝ | +½ |
| 11⅛ | 8½ | Advest Grp | 0.16 | 1.5 | 7 | 398 | 10½ | 10⅛ | 10½ | +¼ |
| 26⅛ | 9⅛ | Advo Inc | 0.10 | 0.8 | 81 | 216 | 12 | 11¾ | 11⅞ | |
| 58⅝ | 41¼ | Aegon | 1.45 | 2.6 | 17 | 94 | 56¾ | 55¾ | 56¼ | +⅝ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |




Continued on next page

*4 pm close December 9*

# NYSE PRICES

Continued from previous page

| 1996 High | 1996 Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 73⅛ | 50½ | SchrPl | 1.32 | 1.9 | 21 | 7406 | 68 | 65⅞ | 67¾ | +2⅞ |
| 108¾ | 65⅝ | Schlmb | 1.50 | 1.5 | 33 | 2812 | 103⅞ | 102¼ | 103⅞ | +1¼ |
| 14½ | 8⅛ | Schlt | 0.12 | 1.2 | 5 | 453 | 9⅞ | 9¾ | 9⅞ | +⅛ |
| 32¼ | 18⅝ | SchwabC | 0.18 | 0.8 | 24 | 1073 | 29½ | 29¼ | 29½ | +⅝ |
| 33⅝ | 22¾ | SchwMaud | 0.60 | 1.8 | 16 | 178 | 32¾ | 32 | 32¾ | +⅝ |
| 20⅝ | 12 | SciAtl x | 0.06 | 0.4 | 74 | 1840 | 16¾ | 16¼ | 16⅝ | -⅛ |
| 24⅞ | 17 | Scotman | 0.10 | 0.4 | 13 | 58 | u24⅞ | 24¼ | 24⅞ | +¾ |
| 18⅞ | 12½ | ScuddrNAsF | 0.02 | 0.2 | | 111 | 13 | 12¾ | 12⅞ | +¼ |
| 14⅞ | 11 | ScuddrNEuF | 0.16 | 1.2 | | 161 | 14 | 13¾ | 13¾ | -⅛ |
| 30¾ | 14¼ | SeaCnA | 0.77 | 5.1 | 22 | 665 | 15⅝ | 15⅛ | 15⅛ | -¼ |
| 16 | 15 | SeaCT 4625 | 1.46 | 9.5 | | 2 | 15⅜ | 15⅜ | 15⅜ | +⅛ |
| 42⅞ | 18 | S'gate | | | 39 | 14785 | 40⅝ | 39¼ | 40¼ | +⅞ |
| 41¼ | 30⅞ | Seagrm | 0.61 | 1.5 | 28 | 3885 | 40⅝ | 39⅞ | 40⅝ | +1 |
| 28 | 17⅞ | Seagull En | 1.20 | 5.2 | 55 | 981 | 23¼ | 22⅞ | 23⅛ | |
| 44⅛ | 26 | Sealed Air | 0.64 | 1.5 | 26 | 379 | 41½ | 41¼ | 41⅜ | +⅛ |
| 53⅞ | 38¼ | SearsR x | 0.92 | 1.9 | 18 | 5898 | 49½ | 48½ | 49 | +⅛ |
| 20¾ | 17 | ScCpSBH | 1.24 | 6.1 | 14 | 3239 | 20⅝ | 20¼ | 20⅜ | |
| 13 | 11⅞ | Seligm Sel | 0.84 | 6.7 | | 15 | 12¾ | 12⅝ | 12⅝ | |
| 23¾ | 13⅝ | Sensormat | 0.22 | 1.1 | 12 | 1208 | 19¾ | 19¼ | 19¾ | +⅝ |
| 46½ | 39½ | SequaA | 0.60 | 1.6 | 41 | 11 | 40⅛ | 39¾ | 39⅞ | -¼ |
| 53⅞ | 39 | SequaB | 0.60 | 1.0 | 52 | 72 | 50½ | 49¾ | 49⅞ | -⅞ |
| 31¾ | 19½ | ServiCp | 0.24 | 0.8 | 27 | 4278 | 29 | 28 | 28⅞ | +⅝ |
| 28⅝ | 19½ | SvMstr | 0.68 | 2.7 | 15 | 422 | 25 | 24⅝ | 24⅞ | +⅜ |
| 6¾ | 4⅛ | Servimerca | | | 14 | 2370 | 6⅛ | 6 | 6 | |
| 70⅞ | 28½ | SGSThm | | | 14 | 3332 | u70⅞ | 68½ | 70⅝ | +3¼ |

| 1996 High | 1996 Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 25¾ | 20½ | Yankee Egy | 1.30 | 5.9 | 10 | 64 | 22 | 21¾ | 21⅞ | +⅛ |
| 53¾ | 43⅞ | York Int | 0.36 | 0.7 | 24 | 1720 | 53½ | 52⅝ | 52⅞ | +1⅝ |
| 4 | 3 | Zapata | 0.14 | 3.9 | 10 | 118 | 3¾ | 3⅝ | 3⅝ | |
| 25¾ | 5⅞ | ZenitE | | | 6 | 1226 | 13⅛ | 12⅞ | 13⅛ | +⅜ |
| 28⅞ | 21⅛ | Zenith Nat | 1.00 | 3.6 | 36 | 116 | 28 | 27⅝ | 27⅝ | +¼ |
| 7¼ | 6½ | Zenix Inc | 0.73 | 10.2 | | 118 | u7¼ | 7⅛ | 7⅛ | -⅛ |
| 22⅞ | 15⅛ | Zero | 0.12 | 0.6 | 16 | 346 | 19¾ | 18⅞ | 19⅛ | -⅛ |
| 29 | 18½ | Zurn Ind | 0.40 | 1.4 | 30 | 285 | 27¾ | 27½ | 27¾ | +¼ |
| 11⅞ | 10½ | Zweig Fund | 1.08 | 9.9 | | 160 | 11 | 10¾ | 10⅞ | +⅛ |
| 9 | 7¾ | Zweig Tot | 0.84 | 10.0 | | 369 | 8½ | 8⅜ | 8⅜ | |

*Price data supplied by Telekurs*

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

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# AMEX PRICES

*4 pm close December 9*

# NASDAQ NATIONAL MARKET

*4 pm close December 9*

# Dow rallies strongly at midsession

AMERICAS

US investors streamed back into equities, helping shares regain almost all of the losses that they sustained on Friday, *writes Lisa Bransten in New York.*

Technology shares were especially strong with the Nasdaq composite, which is weighted toward the sector, on course to set a new record high. In early trading the Nasdaq had recovered more than the 12.44 it lost on Friday with a gain of 18.41 at 1,306.09. The Pacific stock Exchange technology index was 1.6 per cent stronger.

At 1 pm, the Dow Jones Industrial Average was 49.57 stronger at 6,431.51, about 5 points short of recovering all of the ground it lost on Friday amid jitters caused by remarks from Mr Alan Greenspan, chairman of the Federal Reserve.

The more broadly traded Standard & Poor's 500, however, did manage to regain all and more of Friday's 4.78 fall as it rose 6.37 to 745.97. Volume on the NYSE came to 214m shares.

Gains were led largely by sharp increases among large capitalisation technology companies. Intel, the biggest company on the Nasdaq, added $2⅝ at $128, Microsoft rose $3⅞ to $80, Cisco Systems $1⅞ to $66⅝ and Oracle $2⅝ to $48.

Computer makers were also strong. Dell Computer climbed $3⅞ at $59⅜, Gateway 2000 added $2 at $63, Compaq Computer was $1⅝ higher at $85⅜ and IBM, which is a component of the Dow, rose $1⅝ at $157⅞.

The market liked Hayes Wheels International's bid to buy more than three quarters of Germany's Lemmerz Holding, for about $240m. Shares in the US company rose by $1⅞ or 5 per cent to at $35⅞.

Santa Fe Pacific Gold gained $1 or 7 per cent at $16⅞ after reaching an agreement to be acquired by Homestake Mining for about $2.3bn. The move came just days after Newmont Mining made a bid for Santa Fe. Shares in Newmont lost $⅞ at $46⅞ and Homestake lost $⅞ at $14⅞.

Southwest Airlines fell $⅞ to $24 after warning that it expected fourth quarter earnings to be "substantially below" profits made in the same period last year.

TORONTO more than made amends for Friday's declines and, at noon, the 300 composite index was up 59.00 at 5,869.06.

Transport was the top performing sector with a rise of almost 2 per cent. Banks were also in demand with Royal Bank of Canada up 75 cents at C$48 and Toronto-Dominion Bank C$1 better at C$34.25.

Alcan Aluminium dipped 25 cents to C$46.75 but Canadian Pacific gained 75 cents to C$35.15. Speculation resurfaced that Seagram had its sights set on EMI, the UK music business. Seagram shares added 70 cents to C$54.70.

## Santiago tries to halt slide

SANTIAGO recovered a percentage point at midsession in a technical rebound after two weeks of heavy losses. The IPSA index, which closed at lows for the year on three occasions last week, stood at 90.48, up 0.93, although analysts commented that there was little news to justify a strong rebound.

Dealers noted that leading stocks had fallen by about 7 per cent over the last fortnight, led by slides in the electricity sector. They added that power stocks were expected to remain unsettled by worries over the impact of this year's drought on earnings.

CARACAS slid 1.4 per cent at midsession as trade wound down ahead of Christmas holidays. The IBC index fell 87.71 to 6,016.4 but CANTV, at 1,810 bolivars, recouped 35 bolivars of Friday's 70 bolivars loss.

### MARKETS IN PERSPECTIVE

| | % change in local currency † | | | | % change sterling † | % change in US $ † |
|---|---|---|---|---|---|---|
| | 1 Week | 4 Weeks | 1 Year | Start of 1996 | Start of 1996 | Start of 1996 |
| Austria | -0.92 | +3.03 | +14.62 | +13.38 | -0.38 | +5.35 |
| Belgium | -0.33 | +3.00 | +20.46 | +16.15 | +1.83 | +7.68 |
| Denmark | -1.11 | +1.72 | +23.46 | +23.33 | +9.53 | +15.83 |
| Finland | +3.19 | +11.28 | +22.32 | +38.21 | +23.18 | +30.25 |
| France | -2.86 | +1.43 | +24.66 | +22.79 | +9.26 | +15.53 |
| Germany | -1.64 | +1.47 | +21.38 | +21.02 | +6.35 | +12.46 |
| Ireland | -1.54 | -2.81 | +16.37 | +17.98 | +14.82 | +21.43 |
| Italy | -1.34 | +2.97 | +12.86 | +5.31 | +3.84 | +9.80 |
| Netherlands | -2.31 | +4.04 | +27.80 | +25.97 | +10.55 | +16.90 |
| Norway | +0.07 | +5.10 | +25.70 | +23.85 | +14.87 | +21.48 |
| Spain | +1.02 | +7.00 | +33.91 | +30.59 | +15.45 | +22.10 |
| Sweden | +0.18 | +7.34 | +33.83 | +34.79 | +24.46 | +31.62 |
| Switzerland | -1.78 | +0.27 | +16.21 | +14.94 | -4.25 | +1.25 |
| UK | -2.25 | +1.07 | +8.20 | +7.31 | +7.31 | +13.47 |
| EUROPE | -1.77 | +2.10 | +17.25 | +15.96 | +7.37 | +13.54 |
| Australia | -3.24 | -1.36 | +4.38 | +4.13 | +5.49 | +11.55 |
| Hong Kong | -1.92 | +4.85 | +31.21 | +28.49 | +21.51 | +28.49 |
| Japan | -3.02 | -3.52 | +0.60 | -3.70 | -16.66 | -11.87 |
| Malaysia | -3.28 | +0.35 | +19.24 | +19.38 | +13.76 | +20.30 |
| New Zealand | +0.87 | +0.45 | +8.69 | +7.16 | +9.06 | +15.33 |
| Singapore | -0.40 | +4.56 | +4.70 | +0.11 | -4.32 | +1.19 |
| Canada | -3.78 | +0.77 | +24.83 | +25.64 | +19.12 | +25.96 |
| USA | -2.22 | +1.47 | +18.85 | +19.78 | +13.27 | +19.78 |
| Mexico | +1.29 | -0.45 | +24.07 | +18.97 | +9.32 | +15.60 |
| South Africa | -1.17 | -2.46 | +5.91 | +5.74 | -21.84 | -17.35 |
| WORLD INDEX | -2.24 | +0.61 | +14.38 | +13.16 | +4.15 | +10.13 |

† Based on December 6th 1996. 

# Frankfurt leads senior bourses higher

EUROPE

Friday might never have happened. The dollar rose more than a pfennig, bonds were strong, and the Dow was 40 points better towards the end of the European day; in FRANKFURT, Bank Julius Baer was predicting that the Dax index could rise by another 12 per cent to the 3,200 level next year.

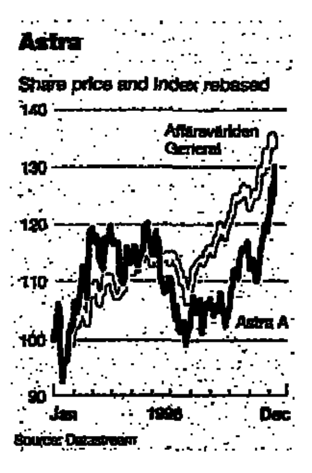
On the day, the Dax led senior bourses higher, closing up 37.77 or 1.3 per cent at an Ibis-indicated 2,870.30. Turnover showed some signs of reserve, falling from DM14.8bn to DM9bn.

Front line cyclicals were in the charts again, BASF rising DM2.49 or 4.25 per cent to DM61.14 after Friday's 4.2 per cent fall, and Continental, the tyremaker, up 63 pfg or 2.3 per cent to DM28 after a previous 4.1 per cent drop.

In carmakers, BMW rose DM53 to DM1,064 but Volkswagen, DM5.85 higher at DM602, lost most of an early climb to DM608.75 it registered on news that its chairman, Mr Ferdinand Piech, was poised to express its regrets to General Motors over the alleged industrial espionage issue.

Drug companies were less fortunate, Merck falling 70 pfg at DM56, Schering DM1 at DM130.50 and Schwarz Pharma 50 pfg at DM113.50. Schering denied takeover rumours yet again last week and, according to Mr Michael Boch, head of BZW's Frankfurt office, Schwarz had just said that fourth quarter prescription sales were being cut back because of limitations on German health insurance budgets.

STOCKHOLM, in contrast, saw strength in its pharmaceuticals sector as the Affärsvärlden general index rose 24.9 to 2,341.5.



Source: Datastream

Astra climbed SKr13 to a record SKr345, still boosted by takeover talk. The shares stepped into the spotlight last week amid rumours that Investor had sold its stake in Astra, and that the drugs company planned links with its Swiss rival, Roche.

The upbeat mood spilled over to Pharmacia & Upjohn, up SKr8 at SKr286, also supported by a strong opening for pharmaceuticals on Wall Street.

Stora rose SKr2.50 to SKr94 after it and Soedra, a co-operatively owned forestry group, said that they planned to raise some pulp prices. MoDo rose SKr3 to SKr191 as it declined comment on its plans.

SCA was unchanged at SKr147 and AssiDoman eased SKr1 to SKr182; both said they had decided to wait and see before raising their prices.

ZURICH rebounded with short-covering, the firming dollar and derivatives-linked transactions all playing a part. The SMI index rose 38.5 to 3,874.0.

Electrowatt, the power utility, jumped SFr29 to SFr511 on a press report that CS Holding was about to sell its stake, and rumours that Viag or GE were potential bidders.

Sulzer added SFr21 to SFr743 and ABB rose SFr18 to SFr1,648 on news that the Swiss government had agreed in principle to grant export credit guarantees for the companies to work on China's Three Gorges dam project. A SFr165 rise in Roche certificates to SFr10,075 was attributed to a recent string of positive brokers' recommendations.

Swiss Re was up SFr17 at SFr1,408, benefiting from news that it intended to buy INA's Italian reinsurance unit for around SFr500.

PARIS had a bad day for motor stocks and recovered only 30 per cent of Friday's near-53 points' shakeout for the CAC-40 index.

At the close the lead index was up 15.12 at 2,255.84 in modest turnover. Renault stumbled FFr2.60 to FFr114.30 and Peugeot FFr1 to FFr602. Michelin, the tyre giant, completed a dreary session for the automotive sector, sliding FFr3.50 to FFr270.80.

Defence plays supplied plenty of bounce with Lagardère, up FFr8 or 5.6 per cent at FFr150, providing the best individual blue-chip performance. Thomson-CSF gained FFr2.90 to FFr167.

Eurotunnel, lifted by the restart of Shuttle services, rose 25 centimes to FFr7.15.

Among second liners, Club Med raced ahead by almost 9 per cent. It ended FFr27.90 higher at FFr344.9 on bid hopes after five shareholders owning a combined 29 per cent stake revoked their investment pact.

The party mood was enhanced further by a decisive shift from "sell" to "buy" by Paribas, which set a target price of FFr400 for the shares.

Skis Rossignol fell FFr2.90 to FFr157 after dull interim results and a forecast from the company that the year as a whole would suffer a setback.

AMSTERDAM clawed back nearly 8 points of Friday's 12 points decline with Philips heavily in demand among internationals and Aegon acting as flagbearer for the financial sector.

Philips gained Fl 1.50 to Fl 69.10 and Aegon put on Fl 2.70 or almost 3 per cent at Fl 97.50. Hoogovens, where shareholders had lately heard news of a Belgian link and broker buy recommendations, added Fl 1.80 to Fl 70.40.

Hagemeyer rose Fl 1.70 to Fl 135.40 on news that its Hong Kong unit plans to seek a bourse listing within two years to help finance an acquisition.

At the close the AEX index was 7.64 better at 623.90.

MILAN bounced back, helped by strong bonds and a firm lira, and the Comit index rose 4.28 to 650.78.

Against the trend, Fiat fell L82 to L4,384 after the prime minister, Mr Romano Prodi, dashed hopes of government help for the ailing car sector. The idea of incentives for car buyers had gained credence in recent weeks on the view that a large part of the cost of such a scheme would be offset in the short term by increased tax revenues as a result of improved sales. However, Mr Prodi said that he did not believe that special financial incentives were the best way to revive flagging car sales in Italy.

Pirelli & Cie, the holding company, rose L40 to L1,960 on further speculation about a group restructuring.

*Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown*

### FTSE Actuaries Share Indices

THE EUROPEAN SERIES

| Dec 9 Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FTSE Eurotrack 100 | 1868.05 | 1870.05 | 1869.86 | 1869.20 | 1868.55 | 1868.74 | 1870.32 | 1869.85 |
| FTSE Eurotrack 200 | 1902.84 | 1902.82 | 1901.56 | 1900.91 | 1902.29 | 1902.49 | 1903.45 | 1902.05 |

| | Dec 6 | Dec 5 | Dec 4 | Dec 3 | Dec 2 |
|---|---|---|---|---|---|
| FTSE Eurotrack 100 | 1847.18 | 1853.77 | 1860.86 | 1869.45 | 1877.55 |
| FTSE Eurotrack 200 | 1880.74 | 1925.76 | 1925.28 | 1940.43 | 1952.78 |

Base value 1000 (26/10/90) [illegible]

# Nikkei sees robust rebound as China Bs surge

ASIA PACIFIC

After a hesitant start, TOKYO staged a robust comeback with many investors repurchasing issues they had dumped last Friday, *writes Gwen Robinson.*

Wall Street's relatively calm response to comments about US financial asset prices by the US Fed chairman, Mr Alan Greenspan, encouraged investors to place buy orders from mid-morning and the Nikkei 225 average climbed 327.01 or 1.6 per cent to 20,603.71 after moving between 20,396.69 and 20,669.99.

Volume thinned to an estimated 237m shares from Friday's 441m. Advances led declines 755 to 305, with 173 unchanged. The Topix index of all first-section stocks rose 15.76 to 1,532.77 and the capital-weighted Nikkei 300 by 3.15 to 290.14.

In London, the ISE/Nikkei 50 index added 3.35 to 1,471.79.

The hunt for internationally competitive companies with strong growth prospects brought NTT into its net. *The telecoms complex* hit a new high for the year of Y871,000, up Y26,000 and well above its previous 1996 high of Y866,000 posted January 4.

Its strong performance in recent sessions indicated overwhelming endorsement of the plan, finalised last between NTT and the government, to split the group into several long-distance and regional phone operators and bring it into the field of international operations. Meanwhile the rival telecommunications carrier, DDI, retreated Y11,000 to Y806,000.

The broad market continued on a two-track path, with strong performers such as electricals, high technology and precision instruments actively pursued, and laggards such as construction stocks under selling pressure.

TDK advanced Y90 to Y7,490, Canon Y50 to Y2,550 and Sony by Y50 to Y7,520. Ricoh, the day's most active issue, added Y40 to Y1,330 in volume of 5.2m shares.

Pharmaceuticals continued their recent advance. Takeda Chemical Industries rose Y60 to Y2,420 and Eisai by Y40 to Y2,400. Some banks broke out of their recent slide, Sakura Bank adding Y13 to Y957 and Fuji Bank Y20 to Y2,200.

In Osaka, the OSE average rose 203.59 to 20,952.40 in volume of 20.8m shares.

China's two hard currency B share markets continued to rocket ahead as domestic *investors targeted so called* "rubbish shares" – low priced, unpopular issues, shunned by foreigners. SHANGHAI's B index jumped 8.641 or 13 per cent to a 1996 closing high of 75,331 in record turnover for the year of $34m.

SHENZHEN's B shares added 17.35 or 9.6 per cent to 198.14, the highest since November 1993, in turnover that picked up to HK$779.2m, its best level of the year.

HONG KONG's rebound was tempered by worries that the government was considering measures to curb speculation in the territory's booming property market. The Hang Seng index put on 41.50 to 13,144.23 in robust turnover of HK$8.5bn.

Utilities shares led the market, while properties underperformed all other sectors. Henderson Land and Cheung Kong each eased 25 cents to HK$75.75 and HK$66.75 respectively.

SEOUL remained at a three year low, burdened by threats of widespread strikes later in the month in protest at the government's labour law reform plan.

The composite index fell 3.94 to 692.17, with investors also concerned that the forthcoming sale of an additional Won260bn of Korea Telecom shares would put additional strain on the already imbalanced supply and demand situation.

TAIPEI ended slightly higher on a mild rebound, thanks partly to a central bank assurance that it had no plans to adjust monetary policy. The weighted index added 29.22 at 6,808.83.

Construction shares produced some of the day's best gains. Delpha Construction rose T$1.2 or 3.96 per cent to T$31.5.

BANGKOK ended a six day losing streak and the SET index rose 12.57 to 889.46 on bargain hunting in low turnover. Bangkok Bank topped the active stocks list, falling B4 to B136.

MANILA ended sharply lower in thin trade. "The market did not fully react to Friday's worldwide shakeout. We see an extension today," said one broker.

The main index came off 49.29 or 1.6 per cent to 3,090.16 after a 23.88 point fall on Friday. "The thin volumes indicate there was no total sell-off, so the market is not really that depressed", said one trader.

SYDNEY closed sharply higher on bargain-hunting after Friday's heavy losses. The All Ordinaries index recovered 25.9 or 1.1 per cent to 2,339.8, having fallen 69.4 on Friday. Volume was a light 244m shares.

Banks and insurance shares led the recovery. ANZ added 21 cents to A$7.65 and NAB 44 cents to A$14.85. QBE Insurance gained 35 cents to A$6.65. BHP put on 16 cents to A$17.64 and CRA 19 cents to A$19.54.

DHAKA was suspended for a second straight day as investors in the kerb market, angry over the continuing slide in share prices, staged noisy demonstrations and forced the bourse to keep its doors closed.

On Saturday the DSE index lost 48.8 or 1.8 per cent to 2,618.3, prompting protests that manipulators were deliberately pushing prices down.

## S African industrials gain

Johannesburg had a volatile session, sharply higher at *the outset but closing* with modest gains after heavy futures-led selling.

After an intra-day peak of 6,649.3, the overall index ended up 13.9 at 6,615.1 following a 24.8 rise to 7,820.0 for industrials. Golds came off 9.7 to 1,517.8.

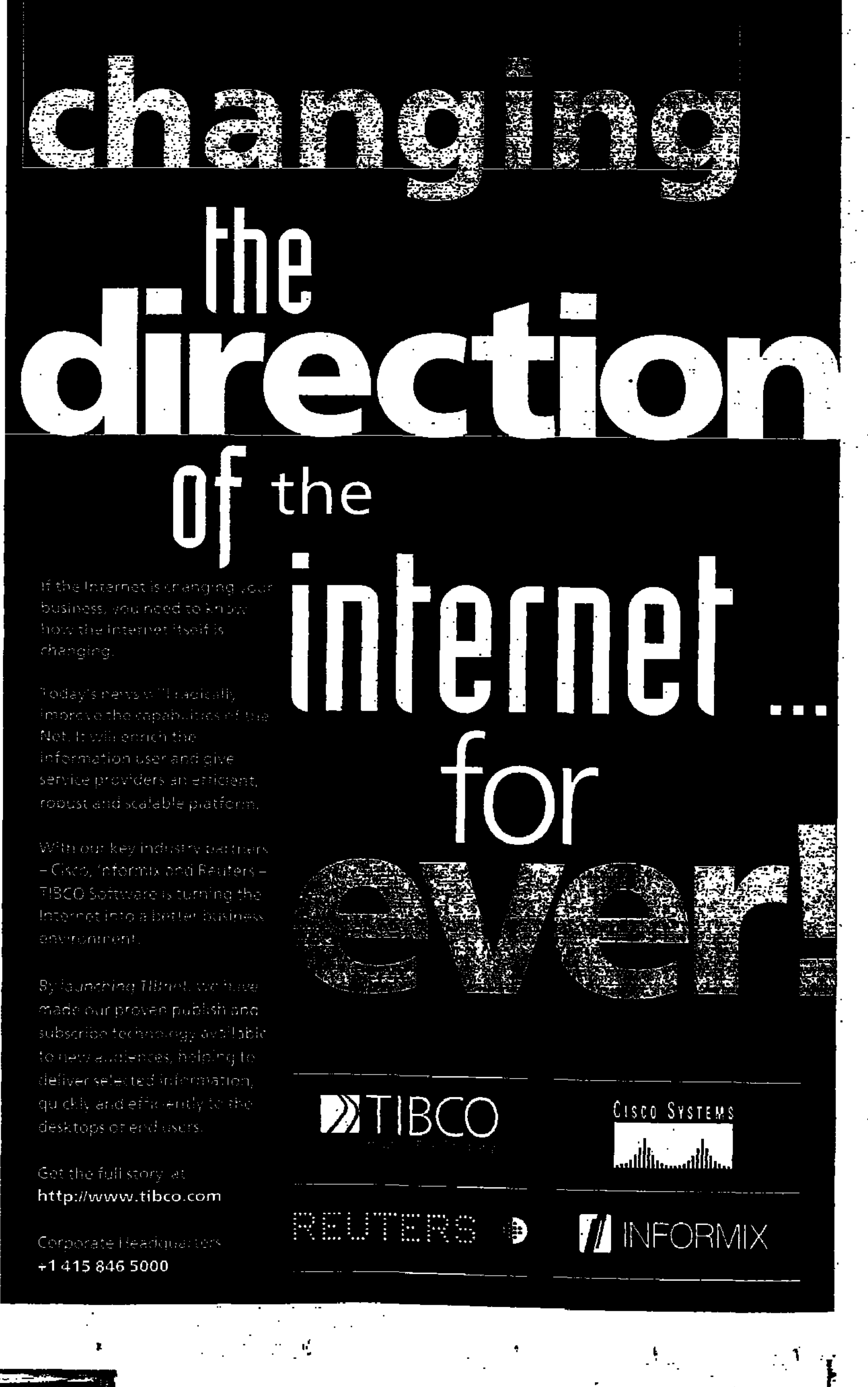
*Dealers said* overall turnover was moderate, notably among golds where leading stocks traded on the downside throughout the session. De Beers put on R2 to R140. Amcoal came off R8 to R336.

## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

| NATIONAL AND REGIONAL MARKETS | FRIDAY DECEMBER 6 1996 | | | | | | | | THURSDAY DECEMBER 5 1996 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 52 week High | 52 week Low | Year ago (approx) |
| Australia (77) | 211.98 | -3.3 | 191.43 | 151.03 | 169.76 | 176.93 | -3.1 | 4.31 | 219.16 | 199.63 | 155.91 | 177.14 | 182.57 | 224.61 | 186.70 | 186.57 |
| Austria (24) | 183.87 | -1.0 | 166.04 | 131.00 | 147.25 | 147.15 | -1.9 | 1.94 | 185.79 | 169.23 | 132.16 | 150.16 | 150.06 | 195.04 | 168.36 | 171.21 |
| Belgium (27) | 225.21 | -0.3 | 203.38 | 160.45 | 180.36 | 176.31 | -1.2 | 3.78 | 225.88 | 205.75 | 160.68 | 182.57 | 178.51 | 229.11 | 199.91 | 199.91 |
| Brazil (28) | 184.79 | -1.0 | 166.88 | 131.66 | 147.99 | 351.92 | -1.0 | 1.74 | 186.70 | 170.07 | 132.82 | 150.91 | 355.59 | 189.70 | 131.21 | 139.22 |
| Canada (116) | 186.98 | -0.6 | 168.85 | 133.22 | 149.74 | 184.19 | -0.5 | 1.86 | 188.09 | 171.33 | 133.80 | 152.03 | 185.08 | 198.24 | 144.35 | 149.22 |
| Denmark (30) | 334.47 | -0.7 | 302.04 | 238.29 | 267.85 | 268.44 | -1.6 | 1.72 | 336.89 | 306.86 | 239.66 | 272.30 | 272.86 | 340.41 | 281.10 | 286.13 |
| Finland (24) | 243.66 | 0.9 | 220.04 | 173.60 | 195.13 | 235.62 | 0.0 | 2.13 | 241.42 | 219.91 | 171.74 | 195.13 | 235.62 | 243.66 | 171.73 | 213.07 |
| France (93) | 207.28 | -1.1 | 187.18 | 147.67 | 165.99 | 169.00 | -2.1 | 2.89 | 209.64 | 190.96 | 149.13 | 169.44 | 172.72 | 212.49 | 171.33 | 173.69 |
| Germany (59) | 184.09 | -3.0 | 166.24 | 131.15 | 147.42 | 147.42 | -3.9 | 1.65 | 189.86 | 172.94 | 135.06 | 153.46 | 153.46 | 189.86 | 161.25 | 161.86 |
| Hong Kong (59) | 498.15 | -2.9 | 449.85 | 354.91 | 398.94 | 494.51 | -2.9 | 3.13 | 513.18 | 467.45 | 365.06 | 414.78 | 509.42 | 513.18 | 372.58 | 379.49 |
| Indonesia (27) | 226.88 | -1.4 | 204.88 | 161.64 | 181.69 | 327.22 | -1.3 | 1.58 | 230.11 | 209.60 | 163.69 | 185.99 | 331.45 | - | - | - |
| Ireland (16) | 310.26 | -1.3 | 280.17 | 221.04 | 248.46 | 265.01 | -2.2 | 3.45 | 314.34 | 286.34 | 223.62 | 254.07 | 270.89 | 321.14 | 250.17 | 257.48 |
| Italy (58) | 80.92 | -1.4 | 73.08 | 57.65 | 64.81 | 91.87 | -2.2 | 2.26 | 82.10 | 74.78 | 58.40 | 66.36 | 94.00 | 84.53 | 68.43 | 68.43 |
| Japan (480) | 136.54 | -2.6 | 123.30 | 97.28 | 109.34 | 97.28 | -2.4 | 0.79 | 140.13 | 127.64 | 99.68 | 113.26 | 99.68 | 164.68 | 136.54 | 150.80 |
| Malaysia (107) | 583.59 | -2.7 | 527.01 | 415.78 | 467.36 | 566.35 | -2.7 | 1.10 | 599.76 | 546.32 | 426.66 | 484.77 | 582.32 | 607.65 | 475.66 | 485.59 |
| Mexico (27) | 1197.37 | -1.8 | 1081.28 | 853.07 | 958.90 | 10380.88 | -1.2 | 1.06 | 1218.90 | 1110.29 | 867.10 | 985.20 | 10511.53 | 1325.65 | 936.49 | 997.70 |
| Netherland (19) | 318.81 | -0.8 | 287.90 | 227.14 | 255.31 | 251.37 | -1.7 | 2.94 | 321.43 | 292.79 | 228.66 | 259.80 | 255.83 | 328.12 | 265.24 | 268.43 |
| New Zealand (15) | 91.87 | -1.5 | 82.96 | 65.45 | 73.57 | 69.32 | -1.6 | 3.98 | 93.30 | 84.99 | 66.37 | 75.41 | 70.43 | 94.40 | 75.94 | 77.76 |
| Norway (35) | 280.95 | -1.2 | 253.71 | 200.16 | 224.99 | 245.65 | -2.2 | 2.06 | 284.51 | 259.16 | 202.40 | 229.98 | 251.20 | 285.26 | 222.24 | 226.50 |
| Philippines (22) | 201.77 | -0.6 | 182.20 | 143.75 | 161.58 | 264.45 | -0.6 | 0.63 | 203.02 | 184.93 | 144.42 | 164.09 | 266.04 | - | - | - |
| Singapore (43) | 412.05 | -1.9 | 372.09 | 293.56 | 329.98 | 265.74 | -2.0 | 1.02 | 420.05 | 382.62 | 298.81 | 339.51 | 271.29 | 465.21 | 371.28 | 389.59 |
| South Africa (44) | 318.48 | -2.0 | 287.60 | 226.90 | 255.05 | 324.66 | -2.1 | 2.41 | 325.06 | 296.10 | 231.24 | 262.74 | 331.60 | 437.76 | 314.20 | 382.55 |
| Spain (37) | 201.69 | 0.7 | 182.13 | 143.69 | 161.52 | 198.28 | 0.0 | 3.02 | 200.23 | 182.39 | 142.44 | 161.84 | 198.28 | 201.69 | 157.91 | 158.77 |
| Sweden (48) | 410.76 | -1.1 | 370.93 | 292.64 | 328.95 | 412.73 | -1.4 | 2.07 | 415.16 | 378.18 | 295.33 | 335.56 | 418.84 | 418.67 | 294.18 | 317.44 |
| Switzerland (37) | 238.95 | -1.2 | 215.78 | 170.24 | 191.36 | 193.50 | -2.0 | 1.53 | 241.80 | 220.25 | 172.01 | 195.43 | 197.46 | 254.34 | 219.29 | 229.80 |
| Thailand (45) | 107.33 | -1.4 | 96.93 | 76.47 | 85.96 | 106.43 | -1.5 | 3.22 | 108.89 | 99.19 | 77.46 | 88.01 | 108.04 | 193.95 | 107.33 | 166.06 |
| United Kingdom (213) | 261.60 | -1.3 | 236.24 | 186.38 | 209.50 | 236.24 | -2.1 | 4.02 | 264.97 | 241.36 | 188.49 | 214.17 | 241.36 | 273.93 | 222.43 | 226.83 |
| USA (623) | 300.95 | -0.6 | 271.77 | 214.42 | 241.01 | 300.95 | -0.6 | 2.00 | 302.90 | 275.91 | 215.48 | 244.82 | 302.90 | 307.82 | 243.34 | 253.22 |
| Americas (794) | 275.10 | -0.7 | 248.43 | 196.00 | 220.31 | 231.41 | -0.5 | 1.88 | 276.91 | 252.24 | 196.99 | 223.82 | 232.91 | 281.50 | 222.53 | 230.69 |
| Europe (720) | 228.07 | -1.3 | 205.95 | 162.49 | 182.64 | 197.02 | -2.2 | 2.93 | 231.11 | 210.52 | 164.41 | 186.80 | 201.39 | 234.56 | 194.31 | 196.87 |
| Nordic (137) | 351.98 | -0.8 | 317.86 | 250.78 | 281.88 | 308.57 | -1.3 | 2.02 | 354.66 | 323.06 | 252.30 | 286.66 | 312.73 | 355.21 | 261.13 | 282.56 |
| Pacific Basin (875) | 154.25 | -2.6 | 139.29 | 109.89 | 123.52 | 111.11 | -2.5 | 1.26 | 158.37 | 144.26 | 112.66 | 128.00 | 113.94 | 177.01 | 153.86 | 161.17 |
| Euro-Pacific (1595) | 184.90 | -1.9 | 166.97 | 131.73 | 148.07 | 143.51 | -2.3 | 2.13 | 188.56 | 171.76 | 134.14 | 152.41 | 146.82 | 191.51 | 175.04 | 175.94 |
| North America (739) | 294.08 | -0.6 | 265.57 | 209.52 | 235.51 | 293.27 | -0.6 | 1.99 | 295.98 | 269.60 | 210.55 | 239.23 | 295.14 | 301.15 | 237.55 | 246.80 |
| Europe Ex. UK (507) | 204.95 | -1.3 | 185.08 | 146.02 | 164.13 | 172.77 | -2.2 | 2.31 | 207.74 | 189.23 | 147.79 | 167.91 | 176.66 | 209.70 | 174.81 | 176.45 |
| Pacific Ex. Japan (395) | 307.68 | -2.7 | 277.85 | 219.21 | 246.40 | 265.13 | -2.7 | 2.81 | 316.31 | 288.12 | 225.01 | 255.66 | 272.49 | 317.82 | 257.81 | 260.52 |
| World Ex. US (1810) | 186.96 | -1.9 | 168.83 | 133.20 | 149.72 | 148.81 | -2.2 | 2.11 | 190.54 | 173.56 | 135.54 | 154.00 | 152.19 | 193.47 | 176.03 | 177.03 |
| World Ex. UK (2220) | 219.13 | -1.3 | 197.88 | 156.12 | 175.48 | 188.02 | -1.5 | 1.85 | 222.10 | 202.31 | 158.00 | 179.52 | 190.81 | 224.89 | 196.13 | 197.89 |
| World Ex. Japan (1953) | 268.14 | -1.0 | 242.14 | 191.04 | 214.74 | 253.06 | -1.3 | 2.36 | 270.95 | 246.81 | 192.75 | 219.00 | 256.43 | 274.88 | 224.52 | 228.28 |
| The World Index (2433) | 222.79 | -1.3 | 201.19 | 158.73 | 178.42 | 192.50 | -1.5 | 2.06 | 225.80 | 205.68 | 160.63 | 182.50 | 195.48 | 228.97 | 198.47 | 200.45 |

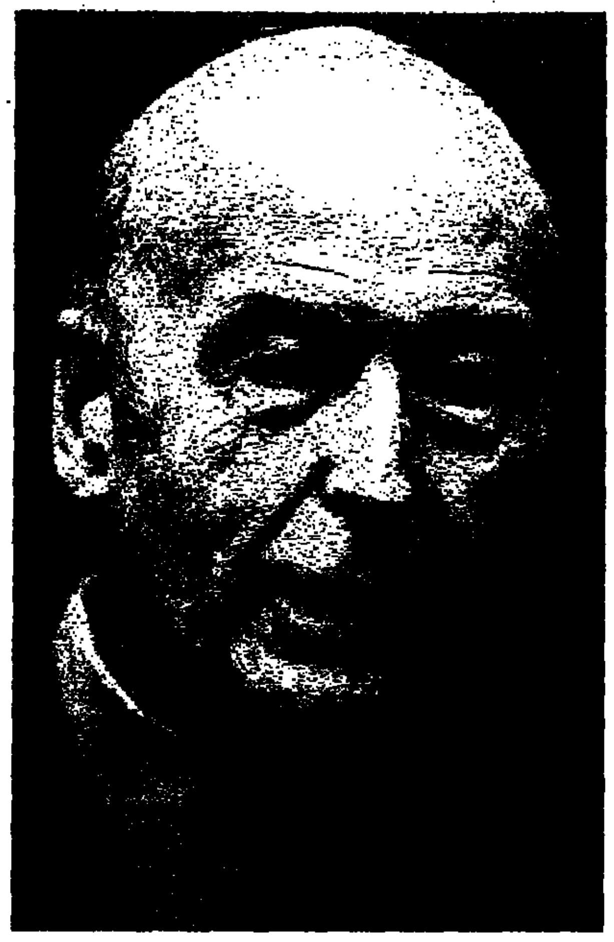
 Latest prices were unavailable for this edition. Markets closed 6/12/96: Finland and Spain.



# FRENCH FINANCE AND INVESTMENT

## Feeling of *déjà vu* persists

### Problems that will not go away seem particularly evident in the corporate sector, writes **Andrew Jack**



**War of words**
Valéry Giscard d'Estaing (left), the former French president, last month argued the case for a lower rate for the franc and the D-Mark against the US dollar. He went on to suggest that if Germany refused to act jointly, France should devalue the franc unilaterally. Mr Giscard d'Estaing's call was backed by two members of the Bank of France's monetary council. As a result the franc lost some ground but firmed again when a string of leading figures, including President Jacques Chirac (above) and Jean-Claude Trichet (right), the Bank of France governor, reiterated their support for the current franc/D-Mark parity.
See story page 2.

Like the lethal bomb that exploded on a Paris commuter train at the start of December, more than a year after a previous terrorist outbreak had been ruthlessly stamped out, disturbing events have a habit of recurring in French life when they are least expected.

Just when it seemed there was little risk of a repetition of the widespread 1995 public sector strikes, for example, truck drivers blocked roads across the country with impunity for nearly two weeks during November, causing considerable disruption.

Economic growth is beginning to pick up, preparations for the introduction of the euro are well in hand, and a number of structural reforms such as the launch of private pension funds are under way. But problems, particularly in the corporate sector, just do not seem to go away.

While the wave of French companies buying up international competitors has been virtually overlooked, the prospect of any acquisitions in the other direction has stoked huge controversy. Probably no recent event has been more damaging in foreign eyes than the attempted sell-off by the state of Thomson, the defence and electronics group.

An extraordinary series of decisions – over the way it would be handled, the announcement of the government's unexpected preference for the bid by the Lagadère group ahead even of its discussion by the supposedly independent privatisation commission, and then the commission's surprise ruling against this offer – has discredited the entire process used for the sale of public assets.

More worrying, was that it seemed to many as though there was more than a hint of xenophobia motivating the rejection of the Lagadère bid, given that the sticking point was the plan to sell the multimedia division of Thomson to the South Korean electronics group Daewoo.

While British Airways has been allowed to buy the domestic carrier Air Liberté, its offer was accepted only after it was modified to include a partnership with the all-Gallic group Banque Rivaud. Now there are question marks over the involvement of the UK's GEC in the proposed GEC-Alsthom merger with Framatome, the nuclear engineering company.

Political interference in state-run groups has been evident elsewhere. The sale of the CIC bank was also recently cancelled after the privatisation commission decided one of the two bids was unacceptable. The government swiftly sacked the chairman of GAN, the state-owned insurance group which owns CIC. The move was interpreted by many as crude retaliation for his role in blocking the appointment last spring of an adviser to Mr Juppé as the new head of the bank.

But the French government has demonstrated a remarkable resilience to criticism over the past few months. In the same way as it shrugged off disapproval in 1995 over its nuclear testing policy, it feigned indifference to the discontent expressed this year by a number of its European partners when it stretched the budget arithmetic to its limits to ensure that it would meet the Maastricht treaty requirements on monetary union.

To achieve a 1997 deficit of no more than 3 per cent of gross domestic product, it deftly counted FFr37.5bn in staff pension fund assets transferred from France Télécom ahead of its sell-off as revenues which would offset public sector spending.

Even so, that manipulation does at least make it seem probable that France will now meet its deficit target, keeping monetary union on track. Jean Arthuis, the economics and finance minister, draws confidence from the latest statistics, which he argues justify his predictions of 1.3 per cent growth for this year and 2.3 per cent for next year.

In the meantime, monetary union has become something of a national obsession. Barely a day goes by without a conference on preparations for the euro. And as Gérard Pfauwadel, head of the Matif, the futures and derivatives exchange, puts it, "the fact that as a country we are extremely centralised will, for once, help".

Tight co-ordination between the government, financial institutions and the private sector means that France is probably the nation furthest advanced in moves towards the single currency. The decision has already been taken for all treasury debt, stock market prices and derivative products to be quoted in euros from the start of 1999, for instance.

Yet discussion around the euro is far from limited to the technicalities. Former president Valéry Giscard d'Estaing, an ardent European, broke something of a taboo in November by arguing the case for a lower rate for the franc and the D-Mark against the dollar. He added that France should devalue the franc unilaterally if Germany refused to act jointly.

His comments caused downward pressure on the franc after Philippe Séguin, head of the National Assembly, and two members of the monetary policy council of the Bank of France, expressed support for his views.

It took comments from President Chirac and Jean-Claude Trichet, chairman of the Bank of France, to calm the foreign exchange markets.

Ruling party politicians have become increasingly careful in the way they invoke monetary union, since the Maastricht treaty has become a scapegoat for all of France's troubles. The principal reason for this hostility, for the continued poor popularity ratings of the government, and for the general gloom still pervading the country, is clearly the record French levels of unemployment, which stood at 12.6 per cent or about 3.1m people in October.

The fear of social unrest, with memories of last year's strikes still fresh, appears to have caused the government to put a brake on its reform programme, and cast a nervous eye towards the next national elections due in 1998.

Although the government has slow-pedalled on some of its social security reforms, it has pursued its initiatives on hospital reform, public spending reductions, modifications to the income tax system, and incentives to reduce working hours which help create new jobs.

There are other signs of progress in France, too. Interest rates are at historically low levels, and the country's export trade surplus continues to rise. At the start of this month, the CAC-40 index of leading quoted shares continued its rally since the summer to almost reach its record high.

Equally, new legislation has cleared the way for private, complementary pensions, which should help address the problems with the under-funded state system, and create new pools of money that can be invested productively in the equity markets.

At least in the rhetoric, there is also a fresh commitment to shareholder value in France. The concept was used to help justify some of the most important corporate transactions over the past few months, including the unprecedented demerger of the Chargeurs group into two quoted companies.

Equally, it helped motivate the takeover of the quoted retailer Docks de France by its rival Auchan, the purchase of a majority stake in Banque Indosuez by Crédit Agricole, and the proposed acquisition – the first of a privatised company – of the insurer UAP by its competitor Axa.

The irony is that Auchan is privately-held, and both Crédit Agricole and Axa are ultimately controlled by mutual companies. That is testimony to the continued weakness of French quoted companies compared to other forms of ownership. Capitalism is clearly still retaining a distinctly Gallic flavour.

■ **The economy:** by David Owen

# Rough ride to growth target

## The chief economic scourge is the record 12.6 per cent level of unemployment

The French economy has had a bumpy ride these past four quarters. In two of them, the country's gross domestic product actually declined; in two, it grew at a respectable rate. But the net result of this uneven period is that the government is on course – just about – to hit its undemanding target of 1.3 per cent growth for the present year.

There is still a chance that widespread industrial action in the last three weeks of 1996 might upset such expectations. Most other doubts about the target's attainability were removed in the last three days of November.

First, Insee, the national statistics institute, published figures showing that third-quarter growth had been a relatively healthy 0.9 per cent and that the second period had not been as bad as first thought, although the economy still shrank by 0.2 per cent.

Then, the following day, the 12-day truck drivers' strike ended. The government – and the economy – may yet suffer if the drivers' victory encourages other workers to adopt more aggressive action in pursuit of their own claims. But the dismantling of the road blocks removed the immediate threat of economic disruption on a par with the highly damaging public-sector strikes that paralysed the country last winter.

Eric Chaney, senior economist with Morgan Stanley in Paris, believes the truck drivers' strike will have had no serious impact on growth: last year's stoppages contributed heavily to the 0.4 per cent contraction in GDP in the last quarter of 1995.

If this year's growth target is achieved, it will be in spite of the government's inability to stem France's high level of unemployment, the chief economic scourge and one of the principal reasons for the morose mood. This remains at a record 12.6 per cent, although figures for October, released earlier this month, showed the actual number of jobless edging down – to a fraction over 3.1m.

The government, in effect, is boxed in. Its commitment both to the franc fort and to reducing its general financial deficit in line with the Maastricht convergence criteria for European monetary union severely limit its scope for adopting unilateral fiscal or monetary measures to combat the problem. In any case, interest rates have fallen markedly in the past 12 months while unemployment has carried on rising. This tends to support the case of those who argue that structural rigidities in the French labour market are at least partly to blame and that cutting interest rates further, to allow a depreciation of the franc would do little to help.

Yet, with unemployment so high and many industries in the throes of restructuring, the idea of increasing flexibility by easing long and costly redundancy procedures is, not surprisingly, highly controversial. Last month, prime minister Alain Juppé sought to distance himself from reports that he had set out the need for redundancy reforms to a closed session of the national executive of his ruling RPR Gaullist party.

It remains unlikely the government will grasp the nettle and attempt to push through such reforms in advance of the next legislative elections due by spring 1998, even if it becomes convinced that this is the direction in which to move. But support for some limited changes appears gradually to be increasing. Jean Gandois, head of the Patronat, the French employers' federation, recently added his voice to calls for greater flexibility, calling for the process of taking staff on to be exempted from all formalities and saying employee reductions were "blocked by procedures that were too long, too complex and too random".

If unemployment is one current economic low point, another is business investment. This has been much lower this year than originally expected, with companies seemingly awaiting a more sustained upturn in demand before committing themselves to substantial outlays. The picture improved in the third quarter, however, which brought a 2.7 per cent jump after a 0.9 per cent second-quarter decline.

A bigger-than-expected reduction of stocks has been a further negative factor in 1996 growth. Though some of this is no doubt attributable to more efficient management, analysts increasingly expect the tables to turn in the final quarter and beyond. As Morgan Stanley's Mr Chaney observed in response to the latest cut in inventories: "This is positive for the future, since ever lower inventories are not a sustainable path".

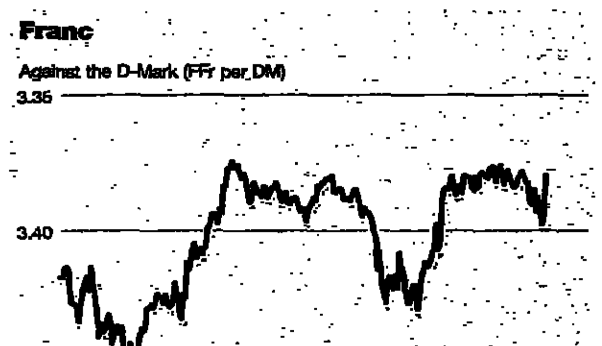
Economic bright spots have included consumer spending, which has performed better than expected as families have dipped into their savings to help fund purchases, and the country's still expanding trade surplus. This has found a second wind in recent months after appearing to run out of steam earlier in the year.

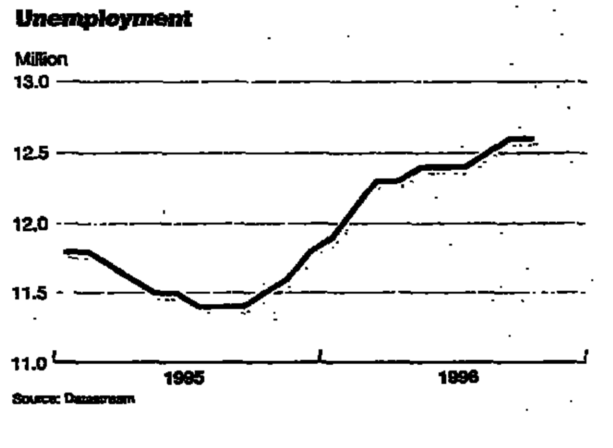
Yves Galland, trade minister, last month seized on September's FFr10bn surplus to predict that the overall 1996 figure could rise to FFr120bn after just over FFr100bn in 1995. The running total for the first nine months stands at FFr86.76bn, compared with FFr72.32bn in the same period last year.

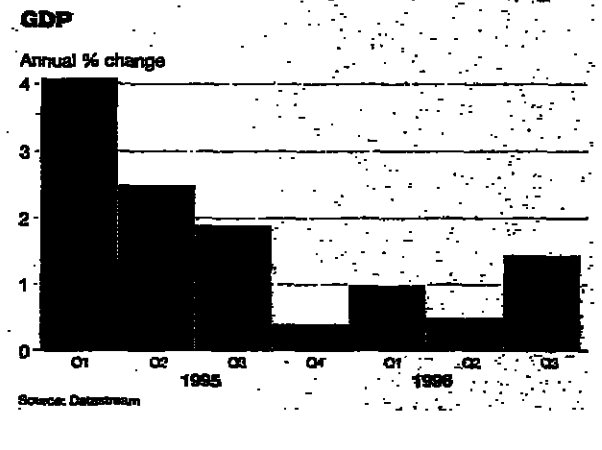
The impressive size of the surplus has been one of the chief weapons in the armoury of franc fort defenders, such as Jean-Claude Trichet, the Bank of France governor, in their recent war of words with increasingly vocal advocates of the currency's depreciation. These are headed by Valéry Giscard d'Estaing, the former French president, who last month suggested France persuade Germany of the need for a lower rate for the franc and the D-Mark against the US dollar. He went on to argue that if Germany refused, France should devalue unilaterally.

The currency lost some ground as a result of Mr Giscard d'Estaing's call, which was backed by two members of the Bank of France's monetary council. But it then firmed after a string of leading figures, including President Jacques Chirac and Mr Trichet himself, reiterated their support for the current franc/D-Mark parity. It seems the country's leaders remain determined to pursue the franc fort policy, at least in a European context, even if the questioning of its appropriateness is becoming more insistent.

The end to the truck drivers' strike after 12 days may prove to be cold comfort for the government




■ **Preparing for the euro:** by David Buchan

# Big Bang switch in 1999

## The money markets in general will work from day one in euros

"The fact that as a country we are extremely centralised will, for once, help," says Gérard Pfauwadel, president of the Matif futures and options exchange. He was commenting on the plan for Paris' financial markets to switch to the euro in January 1999. "It will ensure co-ordination, and that everyone plays the game."

So, on the first day of trading in 1999 – January 4 – all money, bond, stock and foreign exchange markets in France will change to the new currency, just as the European Central Bank (ECB) begins to conduct its monetary and exchange rate policy in euros. But while the markets will work from day one in euros, stock prices, for example, will still be quoted in francs as well as euros, and customer accounts and tax statements will almost certainly remain in francs until 2002.

"One can't do everything at the same time, so we decided to give priority to capital markets," says Pierre Simon, of Compagnie Bancaire and president of the "euro group" at the French Association of Credit Institutions. "A large number of bank clients will choose to keep their accounts in francs, which will remain until 2002 the medium in commerce and in all dealings with the tax authorities and the social security system."

But the French government's decision to convert, in January 1999, all its outstanding public debt into euros should ensure the rapid formation of a euro-denominated money market, itself essential to the conduct of monetary policy by the European Central Bank. The likely nature of this monetary policy is not expected to pose any technical problems for banks, with one or two minor exceptions on reserve and refinancing requirements.

The ECB is expected to make more use of reserve requirements than does the Bank of France, which only requires French banks to deposit the equivalent of 1 per cent of their outstanding credit with it. French bankers are not averse to this ratio being increased by the ECB, because it might help smoothe out interest rate fluctuations on the money market. This, in turn, would reduce the need for fine-tuning by the ECB and its regional agents (the national central banks), and thereby ease the task of decentralised conduct of monetary policy.

"Central banks always find it a bit irritating that the money markets are constantly looking for signals from the central bank, whose daily intervention can sometimes be misunderstood," says Mr Jean-Pierre Patat, head of the Bank of France's international department.

French banks also want to continue to use private paper – essentially bank credit to companies with a rating – as well as government securities for collateral for refinancing with the Bank of France. They expect to continue to draw their refinancing locally, but would like to draw on paper circulating elsewhere within the euro zone. This could perhaps be guaranteed by another national central bank in the euro zone, suggests Mr Patat, in a form of "correspondent central banking". France remains insistent that credit creation in the planned Target system of payment settlement within the euro zone should be confined to banks within the euro zone.

There are many reasons why French capital markets are planning their Big Bang switch to the euro in 1999. Some are technical. One is to avoid favouring one market over another – bonds over shares, for example. Another is to avoid credit institutions having to make too many internal conversions, according to different categories of assets or liabilities. Above all, the financial markets want to maximise investments in technology and future competitive gains.

Paris has been trading bonds and shares electronically for the past 10 years, without any exchange of paper. The Sicovam electronic system keeps track of shares, while the Relit system settles share transactions once a day. The latter will be replaced next year by RGV (*Règlement à Grande Vitesse*, of course) that will settle share transactions continuously. Moving to the euro will require considerable changes to computer software, but an instantaneous switch is technically possible in Paris in a way that would not be possible in other European markets.

A sudden change will suit investors, says Jean-François Théodore, president of the Paris Bourse. "The euro zone will be regarded by non-European investors as a single zone, and all the indications are that, for instance, big US investors will very rapidly want to reallocate their investments accordingly and place their money in euros."

If Paris can be ready for the euro before other European capital markets, it may make a permanent gain. "Timing is everything," says Mr Pfauwadel. He cites the example of London. "Trading in the 10-year Bund was initiated in London, and the Germans have had great difficulty in recapturing the market. One hundred per cent of trading in 3-month Euromarks and 60-70 per cent of Bunds is still in London."

The Matif already has the principal market in bonds denominated in Ecus, which will have the advantage of being exchangeable one-for-one into euros in 1999. It trades an average of 3,000 Ecu bond contracts a day, helped by the fact that the French Treasury is the main and most regular issuer of Ecu bonds (Ecu5bn in the first 10 months of this year).

But it is making other preparations. It has announced plans for a new range of futures products, including a three-month euro contract to be introduced as early as April 1998. The Matif has also matched Liffe in London by signing an agreement with the Chicago Mercantile Exchange for its euro products to be traded after Paris closes. "The euro will be traded globally 24 hours a day, and it makes sense to extend liquidity beyond the European time zone," says Mr Pfauwadel.

The problem for the Bourse is different. In contrast to the money and bond markets, the advent of the euro will not change the nature of its "products", but will pose the challenge of how to avoid confusing its clients.

Mr Théodore takes heart from an opinion survey earlier this year of French shareholders, which showed that most of them are happy to see the Bourse move in 1999 to quoting stocks in euros (as well as in francs).

Taste of things to come: a cheese shop offers blue cheese for sale at 6 euros a kilogram during a two-week trial of the currency to give customers an idea of Europe in 1999

■ **Paris Bourse:** by David Buchan

# Good year for equities

## The Bourse expects a further boost as private pension funds invest in shares

Cheered by lower interest rates and the prospect of fresh resources from new-style pension funds, the Paris Bourse has had an exceptionally good year.

The number of transactions or matched trades this year reached 23.5m by the start of December, surpassing the 1994 record of 22.8m. In value terms, this amounted to some FFr1,100bn ($210bn) and will probably reach FFr1,300-1,400bn by the year's end. The Bourse's main two indices have gained 25 per cent this year. The CAC-40 hit 2,348 on December 3, not far from its record of 2,355 in February 1994, while the broader SBF-250 had risen to 1,548 by the end of November. By the start of this month, too, the market capitalisation of the Paris Bourse crossed the FFr3,000bn for the first time, to reach FFr3,100bn.

To Jean-François Théodore, president of the Bourse, there is no magic about this. "We had some catching up to do with other stock exchanges. Paris was a bit behind in 1995 due to the political uncertainties surrounding the presidential election and to social problems." He adds: "Indeed the potential of this catching up will not, in my opinion, be exhausted until we go beyond our historic record of February 1994."

Sectorally, the big gainers this year have been shares in retail distribution (60 per cent), consumer goods (52 per cent), investment and holding companies (36 per cent), capital equipment (29 per cent) and energy (26 per cent). Those with below average gains include property (3 per cent), financial services and banks (9 per cent) and cars (12 per cent).

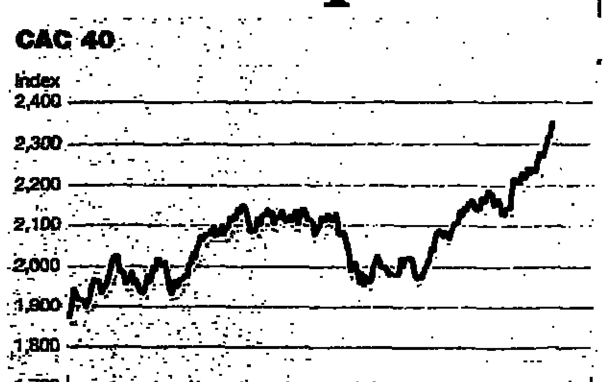
Over the longer term, Mr Théodore expects a further boost to come from private capitalised pension funds investing in the Bourse. Legislation to create these pension funds is currently passing through the French parliament. Initially, the pension funds are expected to attract some FFr30-50bn in savings, of which at least a third will probably go into shares. On its first reading of the pension fund bill, the National Assembly decided pension funds should put no more than 60-65 per cent of their money in bonds, with the rest going into shares.

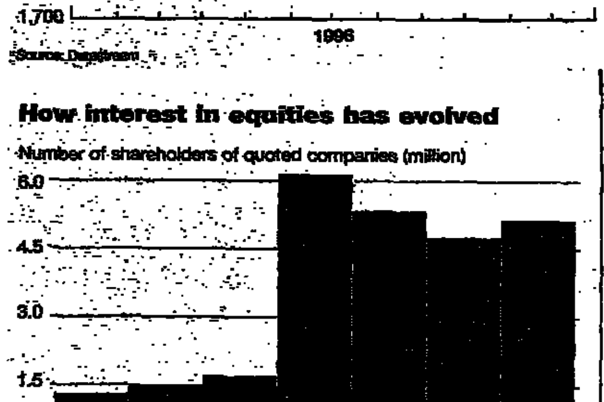
"My personal opinion is that over the medium term pension funds will invest mostly in shares," says Mr Théodore. For, the government has decided that benefits from the new pension schemes should be mainly paid out in the form of annuities, rather than in a lump sum on retirement. "This will tend to favour investing in shares, whose annual rate of return is generally higher than bonds," he says.

Mr Théodore also believes the pension funds will attract some of the huge amount – FFr500bn a year – which has been going into life insurance. In the absence of private pension schemes up to now, people have used life insurance to save for their retirement. "So I think the arrival of pension funds will be much more important for the Paris Bourse than people think," he says.

By contrast, Paris' Nouveau Marché for fledgling companies has had a harder time since it was created last March. "But I do not see any reason to be pessimistic," says Mr Théodore. "We will have at least 17 introductions to this market by the end of the year. It is true that some stocks are trading below their initial price, but of the 12 launched between March and July, 10 are doing fine."

However, Mr Théodore concedes such new companies need to be more modest and transparent. "Perhaps the issue prices should be a bit lower in the future," he cautions. And from next year, companies on the Nouveau Marché will be required to make quarterly reports – on turnover, if not profit – to keep investors more abreast of what they are up to.




■ **Banks:** by Andrew Jack

# Critical report worsens crisis

## The Senate finance commission has called for sweeping reforms

When the French Senate issued a critical report on the state of the country's banks last month, it sent shock waves across the already deeply fractured sector.

"The banking sector is facing a crisis without precedent," says Alain Lambert, secretary of the Senate finance commission which produced the study and which calls for a series of sweeping reforms.

The report demands modifications to tax and labour laws, an overhaul of the statutes of the Caisse d'Epargne national savings bank, greater transparency in the financial activities of the Post Office, and restructuring of a series of savings products and long-standing operational practices.

Yet, while the French public widely believes its banks to be rich, profitable, greedy and exploitive, investors – in particular those with an international perspective – have a very different analysis of the situation.

The plight of Crédit Lyonnais is only the most high-profile example of the problems. The state-owned bank is now in the throes of developing a new restructuring plan, which could bring the total costs to the tax payer of its rescue and preparation for privatisation to nearly FFr100bn.

More generally, in 1994 and 1995, banking income and loan portfolios for all French commercial banks contracted in real terms – for the first time since before the second world war – while provisions against bad loans soared. It was only in the first half of this year that the situation started to improve.

For most observers, the need for reform is as pressing as ever. Stéphane Arrouays, banking analyst with BZW in Paris, says: "After the defence and telecoms sectors, it is clear that financial services must be the next restructuring project for the government. France cannot continue to have second-ranking banks."

For the last few years, the unprecedented property crisis has weighed heavily on the results of the banks – as well as of other financial institutions such as the insurers – which invested in development projects, notably of Parisian offices, just ahead of the slump of the early 1990s.

The downturn in the domestic economy also had a far broader negative impact on results, with banks suffering from lower demand for credit from households and companies on the one hand, and higher defaults on the other as the number of individuals and businesses unable to pay their debts increased.

But aside from these cyclical factors, Mr Arrouays has another explanation for the crisis of the past few years. It echoes the criticisms made by the country's commercial banks, which have become increasingly vocal in the past two years in lobbying against a series of perceived competitive distortions.

For example, a government decree dating from 1937 acts as a straitjacket on modifications to the working hours of bank employees, making all but impossible innovative practices such as Saturday morning or weekday evening opening in branches, or telephone banking.

Equally, the long-standing "Livret A" and "Livret Bleu" state-backed tax-free national savings schemes can only be offered to customers through the Post Office, the Caisse d'Epargne and the Crédit Mutuel Bank, bringing an additional respectability and customer base to these institutions to the detriment of their commercial competitors.

The Caisse d'Epargne is a particular target of criticism, from the French Senate as well as from rival banks. Its peculiar legal status with no external shareholders imposes on it very limited accountability and no incentive to make profits or provide a significant return on equity.

It is clearly not a coincidence that it announced plans earlier this year to consider revisions to its statutes, and to launch a "social dividend" distributed from its profits, as part of efforts to pre-empt further criticism or external interference.

However, a number of commentators argue that the commercial banks are themselves to blame for much of the current crisis, and were far too quick to indulge in vicious price wars over interest rates in the late 1980s, which have left them with extremely low margins.

Ziad Sarkis, managing director of consultants Mitchell Madison in Paris, also stresses the banks' lack of innovation in the past 15 years, failing to develop co-branded and credit cards, and inadequately investing in information technology.

There are signs that the situation will not be maintained much longer. The Senate's report gives strong hints of the direction being taken by the government, which is drawing up proposals for a new banking act.

Meanwhile, the prospect of intensifying competition – partly as a result of the immanent prospect of European monetary union – is forcing banks to adapt. Crédit Local de France unveiled earlier this year a merger with Crédit Communal de Belgique. Crédit National acquired BFCE. And Crédit Agricole bought Banque Indosuez from the Suez group.

Foreign buyers still remain suspicious of French banks, illustrated by the fact that none came forward with a serious offer for CIC, the state-owned banking network, whose privatisation has now been suspended.

But some have shown a willingness to acquire the more profitable niche businesses, such as the purchase last year of Sovac by General Electric.

Claude Bébéar and Jacques Friedmann: approved a complex deal after a weekend of talks

■ **Insurance:** by Andrew Jack

# Tumultuous shake-up

## The sector may be entering a phase of restructuring as UAP and Axa prepare to merge

It has been a tumultuous few months for the French insurance sector, torn between heavy provisions, modifications to its distribution systems, privatisations, mergers and abrupt management changes. In the past few weeks, there has been more activity than in the previous several years.

"There has been quite a shake-up," says Michael Lindsay, an insurance analyst with Lehman Brothers. "It looks as though the sector is entering a phase of restructuring."

Another observer of the market put it rather more bluntly. "In the late 1980s, the French insurers wanted to conquer the world. The mistakes were all their own doing, with too many acquisitions and all their investment eggs in one basket. Now they are left with just one player."

He is referring to the proposed "merger" of UAP and Axa, unveiled in the middle of November, which will create the world's largest insurer by assets under management, and the second largest by turnover, a giant which dwarfs all domestic competition and a good deal of that in other countries.

It had already been a busy enough year for Axa, the quoted insurer which is still ultimately controlled by a network of French mutual insurers. The group had completed its acquisition of a controlling stake in National Mutual, the Australian-based company, the rump of which has now been placed on the stock market, and which provides the launching pad for Axa's ambitions in Asia.

It had also finally unwound its complex cross-shareholding with Generali, the Italian insurer, which dated originally from 1988. The relationship had never led to any significant co-operation, and in a two-step process over several months, it was dismantled.

After preliminary discussions last summer between UAP and Axa broke down, the rapidity with which the new combination took place was stunning. Even in late September, Claude Bébéar, Axa's chairman, was denying that his group was interested in other acquisitions.

Yet on November 7, Mr Bébéar made his initial offer to Jacques Friedmann, his counterpart. With just the weekend to negotiate, and the pressure of two rival insurers including AIG threatening to take stakes in UAP, its executives held out only long enough to raise the Axa offer by about 10 per cent.

They approved a complex deal worth nearly FFr50bn ($9.65bn) ratified by the board on Monday and announced on Tuesday November 12, which involves an exchange of four Axa for every 10 UAP shares, plus additional "contingent value rights" payable by Axa in cash if its shares have not reached a target price of FFr392.5 by June 1999.

There is little doubt that the operation represents a takeover, and indeed the first of a privatised company since UAP was sold in 1994. It also represents perhaps the best way for UAP's shareholders to gain some return after seeing their investment languish for so long below the sell-off price.

Some analysts are more sceptical about the attractiveness of the deal to Axa, at least in the short term. The acquisition represents a substantial premium, and cost-cutting at UAP could prove to be challenging. However, as Simon Rudolph, an insurance analyst with Morgan Stanley, puts it: "You have to give Axa credit. No one can fault its management's track record from a series of rationalisations."

But the Axa-UAP merger has important wider implications in the French financial sector. It creates a group with cross-shareholdings in Paribas and Banque Nationale de Paris, which has led some to speculate that there could be tensions, and perhaps even a merger, between the two.

It also accentuates the difference in size with France's other remaining insurance groups. The merger has stolen the limelight from AGF, privatised earlier in the year at a price which appeared attractive given its substantial internal restructuring and the cyclical low in equities. AGF has benefited from the subsequent share rally, but some question whether it lacks critical mass.

Yet the real challenge for the insurance sector is the state-owned GAN group. Since 1994, it has drip-fed losses, unveiling in October figures in the red by FFr1bn for the first half of 1996, and warning that the result for the full year was likely to be twice that level.

Some of the problem relates to its underlying insurance business, including the legacy of premium reductions it practised in the early 1990s. But much is the result of its banking activities.

However, the remaining operations of CIC also pose a substantial challenge. The bank is reported in GAN's books at FFr14bn. Yet when the French government launched a partial privatisation operation for two-thirds control of CIC earlier this year, just two serious candidates came forward with bids placing its total value at about FFr10bn.

The sell-off has now been halted. If it recommences at anything near this value, GAN will be forced to report a substantial capital loss in its accounts. Coupled with the insurer's continued problems from its other operations, it seems likely that it will require perhaps a recapitalisation of FFr5bn before GAN can be sold.

Meanwhile, over the next few months both GAN and CIC face the difficulty of adjusting to new chairmen, after Jean-Jacques Bonnaud and Bernard Yoncourt respectively were ousted by the government.

Aside from the gloomy prospects for GAN, not everything in the sector is so gloomy. The FFSA, the French federation of insurance companies, succeeded in modifying the statutes governing the relationship between "general" or tied insurance agents and their employers, in a move which represents an important breakthrough in the distribution of insurance.

■ **Pensions:** by Andrew Jack

# Stage set for financial reforms

## France now has legislation which makes private, complementary pensions possible

After long debate and many previous abortive attempts, a surprisingly short piece of legislation was voted calmly and on schedule through the French National Assembly at the end of November. It sets the stage for what could prove to be one of most significant French financial reforms in recent years.

The bill finally creates the possibility in France of private, complementary pensions, funded jointly by employees and employers, which provide a breathing space for those increasingly concerned about the limits of the state-funded system into the next century.

Civil servants have long had the option in France of making additional contributions to top up their pensions, and for several years the self-employed have been able to operate a complementary system thanks to legislation introduced by Alain Madelin, the former economics minister, early in 1994.

But for the majority of those in employment – the 14m French who work in the private sector – the public *repartition* system has been their only source of support on retirement, with today's pensioners funded by the social security contributions of the current working population.

It is thus no surprise that those of more advanced years often joke about the need to indulge the young – such as during France's periodic outbreaks of university unrest and student demonstrations – to safeguard the prospects for their own future income.

But the situation is no longer a laughing matter. As France's population – like those of other developed nations – has aged, there is an increasing imbalance between the size of the growing, retired population and the smaller working population required to support it.


Fear of a repetition in France of the Maxwell scandal was one reason for a delay in legislation

That reflects a falling birth rate, but also longer life expectancy. Ironically, this demographic effect comes at a time when the pressure for earlier retirement has rarely been greater, a situation exemplified by the fact that the French government's and transport employers' concessions last month to truck drivers after a two-week strike including agreement to reduce the upper age limit from 60 to 55.

Equally, it was more than any other issue the government's proposals to increase the retirement age of train drivers – many of whom can leave on a full state pension at 50 – which triggered the social unrest and paralysing, lengthy strikes at the end of last year.

Yet, while many other countries face the same prospect of deficits triggered by their state-funded pension systems, France remains one of the last western European nations still to tackle the problem with a complementary system.

One reason has been fear of a repetition in France of the Maxwell scandal that so badly tarnished the image of company-controlled pensions in the UK. More generally, the French unions have attacked any attempt to challenge the *paritaire* system of management of the state system, jointly run by unions and employers alongside the government.

Critics have also argued that a complementary system also runs counter to the French spirit of equality, creating two-tier provision, with different entitlements for those who benefit from retirement benefits not available to others.

In the absence of any official alternative pension system, the French have nevertheless resorted to a series of strategies to plan for retirement, notably through long-term savings schemes with tax advantages such as life assurance contracts.

Yet this has done little to help address the other problem which explains why many business groups have long called for a new pensions system in France: the absence of a well-developed equity market.

The relative weakness of the country's stock market has deprived businesses of risk capital, as well as restricting Paris's growth as a financial centre.

It has created a system in which even many quoted companies are under-capitalised, and given rise to an incestuous network of cross-shareholdings and *noyaux durs* or core investor groups designed to protect French groups from being taken over by foreign shareholders.

Ironically, foreign pension fund money – notably from the UK and the US – makes up a significant proportion of total investment in French equities, but largely because domestic sources are so limited. Most of the premiums from life assurance contracts, for example, are placed instead into government bonds.

Some estimates suggest that the new private pensions could generate an additional FFr30bn-50bn a year in contributions once they are up and running. And under the current draft of the legislation, there would be a cap of 65 per cent on the total which could be invested in bonds, thus all but ensuring that at least some of the money will be placed into equities.

But a number of questions remain. First, the significance of the take-up is far from clear. Companies or groups of companies must establish pension systems and pay contributions as well as their employees. Tax incentives will help make the system attractive, but still create an administrative burden.

The experience of the Madelin law for the self-employed shows that take-up has been limited, with just 125,000 contracts so far launched for retirement, and FFr3.6bn in total premiums collected last year, which includes a high proportion of contributions for other complementary forms of assistance such as health care.

Many of the details of November's reform also remain open to debate: the upper limit on bond investment, or whether to even include a minimum proportion which must be placed in equities; and the amount of money that can be withdrawn as a lump sum (one-fifth of that invested up to a limit of FFr100,000 under current plans).

In addition, there is the question of the regulatory requirements imposed on those groups which hope to manage the new pension funds. These funds have placed the commercial insurers at loggerheads with the mutual insurance groups and the banks, which control a high proportion of the market for life assurance contracts.

Over the coming months, the political battle over the principle of creating complementary pensions may well diminish, but it will clearly be replaced by an increasingly aggressive commercial battle between those financial institutions keen to take control of the new market.

**PROFILE** Ernest-Antoine Seillière

# Capital promotion

It would be hard to imagine a more typically French setting than the office of Ernest-Antoine Seillière, chairman of CGIP, the diversified holding company based in Paris.

The historic headquarters building with its neatly-arranged garden at the entrance stands on a street lined with elegant shuttered houses, while its grandiose interior is full of modern art.

Yet the picture is not so simple. CGIP combines some very Gallic investments with a substantial stake in the aggressive US packaging group Crown Cork & Seal. Mr Seillière is also chairman of Paris Europlace, which has been growing in influence over the past three years, and which combines the French belief in Colbertist, centralised control, with a distinctly Anglo-Saxon emphasis on the liberalisation of markets.

"Europlace was set up to promote Paris in the face of European competition," he says. "We should have created it 100 years ago. The UK is sensational at promotion, and the City is like a club. That is not something that comes spontaneously to the French."

He adds that the choice of the organisation's name has turned out fortuitously to have an even greater significance since Europe's finance ministers subsequently decided that the single European currency should be called the Euro.

Ernest-Antoine Seillière: 'our spirits are high'

Paris Europlace's strength is to bring together some of the most influential financiers – from banks but also institutions such as the stock exchange – through gatherings including an annual dinner of "elegance and the atmosphere of an Old Boys' Club", as he puts it, in Versailles.

But it also plays a serious role in lobbying, working on such recent initiatives as changes to France's tax and administrative regime to make the country more attractive to expatriates and to companies considering where to place their international headquarters. "We brought attention to the issue," says Mr Seillière. "We have to be fiscally competitive."

Europlace also helped stoke the debate on corporate governance and the need for complementary pension schemes designed in part to help boost the French equity market. And it recently unveiled proposals for modifications to the country's substantial fund management industry.

"The big flows of money are coming from the other side of the Atlantic," he says. "We have to be in a position to please them, without renouncing our own identity."

Future projects for Europlace include tax modifications to make French property acquisitions attractive to foreign investors; the provision of specialist financial training in areas such as share custody and a range of back office functions; and roadshows to the US and Far East.

While Europlace and its members have clearly had an influence on recent financial reforms in France, it remains too early to tell whether it can win the battle to ensure the continued influence of Paris in the crucial next few years.

Mr Seillière remains upbeat. "Our spirits are high," he says. "We have at least as much chance as the other centres. We are well equipped. London may be the place of reference for shares, but we have a chance for bonds."

**Andrew Jack**

Jean Arthuis, France's economics and finance minister, talks to **Andrew Jack** about the encouraging economic growth prospects for 1997

# Staunch defender of move to the euro

Jean Arthuis, France's economics and finance minister, is not one of those individuals who has benefited from his government's recent initiative to encourage a shift to a shorter working week in an effort to create new jobs.

*Looking tired but in good humour, he spoke in his office before heading off for a late official dinner.* It was at the end of a day during which the sensitive privatisation of the electronics and defence group Thomson had been derailed, the French cabinet had met following a terrorist attack the previous evening on the Parisian rail network which killed two people, and he had spoken at two conferences and attended a lively session at the National Assembly.

Yet he found reason to be remarkably optimistic. Mr Arthuis said the recently-published figures from Insee, the national statistical institute, showing third-quarter economic growth in 1996 of 0.9 per cent, and positively revised second-quarter figures, were "encouraging".

"We have returned to the hypothesis of 1.3 per cent growth for 1996, which seemed more difficult a few weeks ago. It shows that my predictions in March were justified, and we are on track for the 2.3 per cent growth for 1997 on which the Budget was based. Perhaps things will be better than our predictions."

It is a growth target that the government can ill afford *to miss. As the date* for monetary union draws closer, and with it France's obligation by the end of next year to cut its budget deficit to 3 per cent of gross domestic product, there is little room for flexibility.

Mr Arthuis says additional growth in the coming months will come from re-stocking, swelling order books and external trade. He draws hope from surveys of business confidence and some indications of economic recovery in neighbouring countries, notably Germany. "After a period of restructuring, we are now looking towards significant growth," he says.

However, he expresses disappointment at the low levels of industrial investment. "My biggest satisfaction is the reduction in interest rates. Compared to other countries, they are among the lowest. The long-term, 10-year rate is lower than Germany. We have a real margin for manoeuvre for those who invest – companies, individuals and local authorities."

The government's record on unemployment is less edifying. It remains at a record 12.6 per cent, or just above 3.1m people. Mr Arthuis stresses the modest decline of 12,000 in October, and argues that the rise over the year reflected an increase of 150,000 in the active population while the total number of jobs available remained stable.

He stresses initiatives taken in the past few months to reduce the social security charges on companies to encourage hiring, to boost youth *training and recruitment, to* encourage reduced working hours for those who want them, and to alter the income tax thresholds in an effort to remove the unemployment trap which acts as a disincentive to work for those on low incomes.

He also hints that further reforms may follow, suggesting that there may be scope to revise some of the existing labour laws. He will not comment on such controversial subjects as the minimum wage or the tough rules governing redundancy plans, given the probability of an explosive reaction by France's unions, particularly at a time of such high unemployment.

In other areas, as a former accountant he highlights with satisfaction his efforts over the last few months to reform accounting standards and regulation, with the launch of two new organisations to tackle the task. "Democracy demands transparency," he says.

Of even greater importance, he stresses the government's encouragement of private pension schemes, proposals for which were voted through the National Assembly in November. "We have created with complementary pensions a receptacle for long-term savings which works in the interest of investment in business."

He talks about the continued need to "improve the competitiveness of our economic system", including additional reforms to the state, and plans to help restructure the French banking and financial sector.

*But one of the minister's* principal priorities in the coming months is the preparation for the single European currency, of which France is determined to be a founding participant. He recently set up a committee to help co-ordinate different groups to enable the French people "to appropriate the new currency".

He remains a staunch defender of the move to the euro, while echoing the government's more muted advocacy in recent months. The Maastricht treaty has been widely portrayed in France as a scapegoat for all the country's ills. For example, "Maastricht or not, we must continue with the clean-up of public sector finances," as Mr Arthuis puts it.

But he dismisses the recent polemic unleashed by former president Valéry Giscard d'Estaing over the need for a devaluation of the franc ahead of monetary union. "The real debate is about whether we can have the single European market without the single currency," he says. "I don't think so without it being iniquitous. Economic actors need conditions to be stable."

He says he "rejoices" that the Italian Lire was readmitted into the exchange rate mechanism, making it larger and more stable. "The euro will be one of the great currencies of the world. A credible, solid currency is a factor in relocalisation and job creation."

Mr Arthuis says he is satisfied with the current franc exchange rate with the D-Mark. "The right rate is that one at which you get the lowest interest rates." He argues that a higher conversion rate into Euros would penalise French savers and "give us better resistance to hostile takeover bids".

*On the other hand, he* adds: "I have always said that the dollar has room for appreciation. But to say it is one thing, to obtain it is another." To advocate a more liberal economy, it helps to also accept its consequences.

Jean Arthuis: 'we are on track for the 2.3 per cent growth for 1997 on which the Budget was based'

■ **Corporate governance:** by Andrew Jack

# Investors on the march

## Shareholder value in France is likely to shift from a marketing tool to a necessity

Corporate governance and shareholder value in France are beginning to *shift from* theoretical recommendations in worthy reports to direct action in the more explosive arenas of board meetings, annual general meetings and the stock market.

In a traumatic few days in late June this year, two annual general meetings made a particular impact, with angry shareholders at Eurotunnel and Crédit Foncier de France denouncing their boards, and gathering a significant proportion of votes in an effort to defeat directors' resolutions.

In 1995, two previous annual meetings had already caused a stir, when in all but unprecedented moves, groups of shareholders in the Suez and Navigation Mixte conglomerates publicly attacked their respective chairmen, leading to resignations and subsequent fundamental business restructuring in both cases.

But this year's outbursts were different. They did not come from large corporate investors with complex motives not always so related to the values of "corporate governance" as their champions proclaimed. They were the result, instead, of "grass roots" individual shareholders, and with arguably even greater justification on their side.

Eurotunnel's shareholders fought back hard, after being stung by a long-depressed share price, a belief that *bankers on the board and* advising the company had conflicts of interest, allegations of insider trading ahead of a 1994 rights' issue, and renewed financial troubles which led the company to announce a standstill on interest payments.

They posed a series of tough questions on the state of the company, and amassed so many votes that two resolutions – on new non-executive director nominations and the approval of the 1995 accounts – were approved by just 62.5 per cent of voters. That means the dissidents may be able to amass a blocking minority sufficient to scupper the restructuring plan for the group.

Even more impressively, at Crédit Foncier de France, just 52.7 per cent of the shareholders approved the 1995 accounts, and feelings ran so high that the board was forced to temporarily suspend the annual general meeting. Ultimately, the board agreed to postpone a controversial vote to reduce the capital of the group, which would wipe out the value of investors' shares.

The two examples were unusually dramatic. But they were part of a broader trend *toward shareholder* militancy. A recent analysis conducted by Proxinvest, a French consultancy firm, examined 2,809 resolutions debated at 211 AGMs this year. There was a 1.2 percentage point fall in support for motions proposed by the board, with challenges to topics including the accounts, directors' nominations and stock options. There was also growing opposition to attempts to introduce capital increases *without any preference* given to existing investors.

The annual general meeting may be a high-profile vehicle for some shareholders who want to vent their ire, but it generally remains relatively ineffective. One reason is purely logistical, with many French companies scheduling their meetings late in the day, or at times which clash with others, making it impossible for investors to attend.

In a notably shameless example, Société Immobilière de France, a property business controlled by Crédit Foncier, hired a small room in a hotel for just one and a half hours for what was clearly set to be a controversial AGM, after it had proposed a merger with its parent company, a proposal that would have all but wiped out the stakes of investors.

Most important, however, the exercise of votes at AGMs remains of limited use to minority investors because they generally have little chance of gathering enough support to block the large number of institutional proxies safely in the hands of the board. Eurotunnel was an exception, because few institutions still hold significant stakes in the group.

Yet the role of the passive institutional investor may be beginning to change, as foreign investors and even those based in France find their teeth. ASFFI, the French association of fund managers, endorsed by the Commission des Opérations de Bourse, the markets' watchdog, recently demanded that its members exercise the voting rights on the shares they hold.

However, a drive for a better return on equity – still low in many French quoted companies – *may prove the* most important destabilising influence on entrenched Gallic boardroom attitudes. Jérôme Seydoux, chairman of *the Chargeurs* entertainment and textiles group, took the message to heart when he announced early in the year his group's unprecedented split into two separate companies.

Pressure from investors was also among the justifications cited for the restructuring of the Suez group, which is selling off its property and French banking activities, and for the merger announced in November between the insurers Axa and UAP. Meanwhile, Paribas and the recently-privatised AGF insurance group have both set return on equity targets.

Many observers fear that "shareholder value" is simply a message uttered by French executives to foreign investors, and very different from the noises they make – or the decisions they take – once safely back in France.

But there are signs that any double language is no longer sustainable. A number of the incestuous "families" of French companies involved in cross-shareholdings, with directors sitting on each others' boards, are breaking up. The merger of Axa and UAP, the unwinding of cross participations by Société Générale, Alcatel *Alsthom and Crédit Lyon*nais are recent examples.

The void left by the sale of such "strategic" stakes is being filled in part by institutional investors with a need to earn high returns. Traditionally, that has been the case of Anglo-Saxon and Dutch pension funds. Now new legislation is paving the way for domestic pension funds which are also likely to invest substantial new sums in equities.

There is still a long way to *go, but shareholder value in* France is likely to increasingly shift from a marketing tool or a talking point to a necessity for a growing number of boards.

■ **Matif:** by Andrew Jack

# 'Miracle' helps birthday celebrations

## Ten years after its launch, Matif is consolidating after a bad period last year

For a year in which trading volumes all but stagnated, an extremely significant cross-border alliance was scuppered, and the launch of a new contract was delayed by politicians dragging their feet, the head of the Matif, the French futures market, is surprisingly optimistic.

Relaxing in his modern office in the new headquarters of the Matif, Gérard Pfauwadel, who has led the market for most of the period since it was created just over a decade ago, says: "We have every reason to be confident."

Since it celebrated its tenth anniversary in February, from humble beginnings just down the road in the Palais Brongniart, the old stock exchange headquarters, Matif could have hoped for a better birthday present. Yet volumes only modestly increased from 1995 levels.

Mr Pfauwadel says: "Last year was bad. This year we are consolidating. It doesn't appear to be a great success, but it is not that bad." Indeed, given that non-resident investors have sold such a high proportion of French government debt, he says it is something of a "miracle" that business was as good as it turned out.

He stresses that "our business is to provide tools to protect against volatility", and that in a year marked by substantial convergence between the franc and the German mark, it is no surprise that volatility and therefore the number of contracts traded fell.

However, there have been other disappointments for the Matif. Mr Pfauwadel says that there had been a positive reaction to the rapeseed futures contract, launched in October 1994, and which is now profitable.

As a result, in summer 1995, the exchange set up a committee to examine the possibility of offering a similar contract for wheat. The conditions seemed perfect, given the Matif's past experience with commodities, the expected rise in price volatility linked to the dismantling of the EU's Common Agricultural Policy, and the importance of France as a producer of the crop.

Yet there were several obstacles, not least an obscure piece of legislation dating from the time of the Popular Front socialist government of 1936 which explicitly banned wheat speculation.

Overturning the law had to wait until French politicians finally voted through in June a composite act designed to implement the EU's financial services directive.

In the meantime, the Netherlands had launched *its own* wheat futures contract. More important, by the time Matif was ready to go, it was too late for the bulk of those seeking to hedge against wheat prices for 1996.

"We missed the harvest," says Mr Pfauwadel. "But it doesn't matter. There will be another harvest."

He adds that the Matif will consider launching products for other agricultural commodities in the future as they in turn are deregulated. Yet he stresses that they represent a very small part of total business.

It is for this reason that another setback was even more embarrassing: its co-operation with the German futures exchange.

In late 1993, the exchange signed a co-operation agreement with its Frankfurt counterpart, the Deutsche Terminbörse, which was set to provide reciprocal trading of some of the exchanges' products.

DTB offered two of its contracts electronically to Paris in 1994, but there was an intense debate over Matif's side of the bargain.

A year ago, the choice was subsumed into a broader discussion with the French bourse, after the DTB merged with the Frankfurt stock exchange. But in April this year, the French and the Germans announced that the planned efforts towards *closer* co-operation had been called off.

Mr Pfauwadel says there were two principal reasons. First, "culturally", the DTB relies primarily on equity derivatives for its business, whereas the Matif's main activity derives from fixed income products.

Second, DTB had decided that electronic trading was its preferred approach. Matif, by contrast, is an open outcry market. Its debate over the choice of which products to offer to its German partner in electronic form stoked a far greater resistance than anticipated. After initially dismissing the objectors as a minority, Paris rethought its strategy, and resolved that open outcry was the best way forward.

But the collapse of the talks with the Germans left Matif with a new challenge. "We had a problem of looking isolated," says Mr Pfauwadel. "We operate in a global market. It was important that we built up a network very quickly."

As a result, in late November Matif announced an alliance with the Chicago Mercantile Exchange, where it will offer its medium and long-term interest rate products at 6pm Paris time. "The best way to extend our distribution and build liquidity was to extend our opening hours," he says.

He adds that closer co-operation with Matif's counterpart Liffe in London is conceivable, and that ultimately there may be some rationalisation of the contracts offered by the two exchanges, mirroring the distinctions between the Board of Trade and CME in Chicago. "But first we need a strong phase of competition, and then the market will decide," he says.

Meanwhile, Matif's strategy has been focusing on the prospects for the single European currency, which are set to revolutionise its business. At the start of December, it unveiled a new range of products designed to capture the market for Euro-denominated fixed-income contracts.

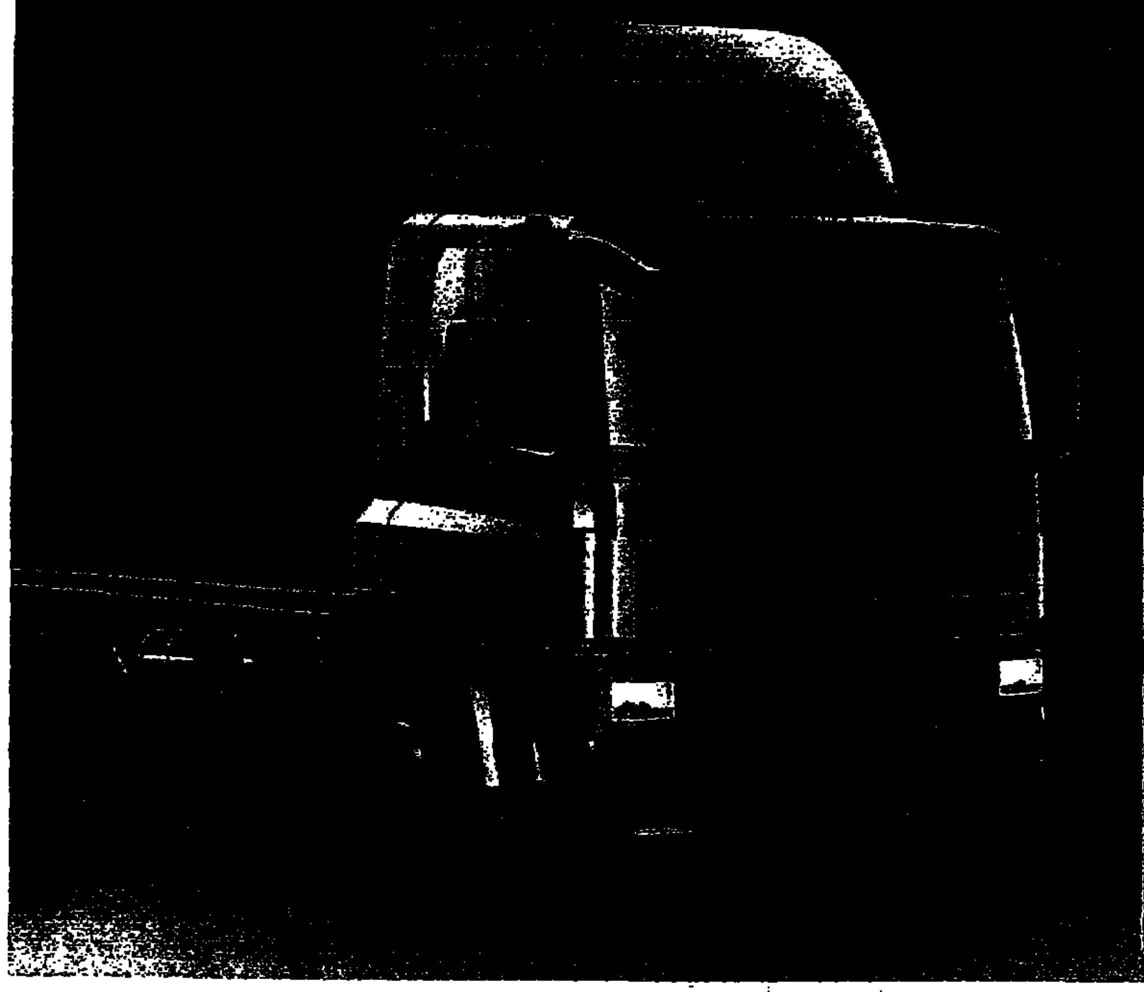
"The single currency presents a huge opportunity for us," the Matif chairman says. "For once we have reason to think we have more good cards than bad." He argues that while the UK is *still debating* whether to join the single currency, and Germany has yet to make a series of important decisions on the transition to the Euro, France is well prepared.

It is set to launch in January 1999 to the new regime in a co-ordinated way, backed by the critical mass of the simultaneous conversion of equities, government securities and derivatives into Euros. "We must play it aggressively," says Mr Pfauwadel. "It is not enough to have a new game and good cards. You have to play well. Technicalities, timing and liquidity in our business are extremely important."

Gérard Pfauwadel: 'there has been a positive reaction to the rapeseed futures contract, launched in October 1994'

*Pictures: Christophe Boutet and Jack Burlot/Matif*

# WORLD COMMERCIAL VEHICLES



**World truck production - over six tonnes GVW**

| | 1996 | 1997 | 2001 |
|---|---|---|---|
| France | 34,638 | 33,958 | 37,029 |
| Germany | 102,253 | 107,213 | 126,162 |
| Italy | 20,787 | 19,077 | 19,344 |
| Netherlands | 17,461 | 15,642 | 15,220 |
| Spain | 18,233 | 18,041 | 19,844 |
| UK | 21,944 | 21,659 | 23,961 |
| Austria | 8,298 | 8,645 | 8,336 |
| Finland | 573 | 599 | 619 |
| Sweden | 89,230 | 87,428 | 95,056 |
| US | 331,673 | 303,741 | 339,100 |
| Canada | 28,760 | 25,600 | 30,500 |
| Brazil | 54,027 | 60,242 | 83,645 |
| Mexico | 6,758 | 11,206 | 26,911 |
| Argentina | 5,909 | 5,465 | 3,933 |
| India | 103,916 | 93,496 | 104,757 |
| Turkey | 17,600 | 16,550 | 24,300 |
| South Korea | 45,455 | 47,753 | 50,552 |
| Japan | 264,000 | 269,000 | 295,000 |
| Total | 1,176,325 | 1,142,323 | 1,303,605 |

**Major truck producers - over six tonnes GVW**

| | 1996 | 1997 | 2001 |
|---|---|---|---|
| Ford | 79,979 | 74,920 | 67,216 |
| General Motors | 32,203 | 32,419 | 37,682 |
| Hino | 71,940 | 70,625 | 76,340 |
| Isuzu | 91,740 | 94,698 | 101,380 |
| Iveco | 53,339 | 51,161 | 55,036 |
| Leyland Ashok | 26,125 | 23,682 | 27,599 |
| Leyland/DAF | 26,124 | 20,968 | 23,759 |
| MAN | 38,476 | 37,134 | 37,861 |
| Mercedes-Benz | 167,673 | 170,216 | 207,311 |
| Mitsubishi | 53,580 | 56,899 | 64,730 |
| Navistar | 95,167 | 87,748 | 96,191 |
| Nissan | 47,402 | 47,486 | 53,937 |
| Paccar | 45,682 | 39,625 | 43,850 |
| RVI | 63,930 | 59,973 | 66,961 |
| Scania | 42,650 | 41,783 | 44,035 |
| Telco | 82,432 | 66,567 | 63,924 |
| Volvo | 65,260 | 62,594 | 74,244 |
| Others | 83,580 | 83,257 | 120,546 |
| Total | 1,168,000 | 1,130,000 | 1,285,000 |

**European sales - up to six tonnes GVW**

| | 1996 | 1997 | 2001 |
|---|---|---|---|
| Ford | 214,101 | 219,066 | 226,065 |
| Peugeot Group | 204,888 | 224,369 | 222,162 |
| Renault | 209,305 | 220,052 | 236,635 |
| Fiat/Iveco | 162,661 | 167,324 | 154,186 |
| Volkswagen | 152,261 | 161,412 | 155,765 |
| Mercedes-Benz | 111,325 | 109,116 | 104,557 |
| GM/IBC | 70,591 | 67,728 | 64,643 |

**European truck demand**

| | 1996 | 1997 | 2001 |
|---|---|---|---|
| Total market | 1,571,390 | 1,635,061 | 1,648,869 |
| Total 6t plus | 256,078 | 251,977 | 271,082 |
| Total 15t plus | 176,490 | 170,637 | 182,126 |

Source: DRI Graphic by: Steven Bernard

# Competitive pressures remain acute

**Faced with over-capacity and wider changes in customers' buying habits, truckmakers are seeking further innovation and new niche markets, reports Haig Simonian, Motor Industry Correspondent**

Boardroom shake-ups, two takeovers and a host of new products ensured that the world of commercial vehicles had plenty on its plate in 1996. With the US heavy truck market expected to continue falling and Europe facing a mixed outlook next year, restructuring looks set to last.

In trucks, the cause remains chronic overcapacity. In Europe, the takeovers of Daf and ERF have done nothing to ease the capacity problems which have plagued the industry for years. The fact that both companies fell to stronger north American predators – rather than local rivals which might have slimmed them down – suggests competition will intensify, rather than diminish, as some European truckmakers had hoped.

Tough competitive pressures are also likely to continue in the US. The 15 per cent fall in the Class 8 market for trucks of more than 15 tonnes may not be as severe as some had predicted late last year. It has, however, been enough to cause a further shake-out in the industry, with the replacement of a number of top executives as manufacturers have failed to live up to their shareholders' financial expectations.

Neither the European nor the US market looks particularly rosy next year. Prospects in Europe remain mixed, with differing market expectations. In the UK, demand for commercial vehicles of more than 3.5 tonnes looks set to fall below the long-term equilibrium level of 50,000 units. The immediate outlook appears poor, although some manufacturers are hoping for an upturn from the second half of next year.

On the continent, demand is expected to stagnate as domestic economic recovery stalls and the outlook for exports weakens. However, medium-term prospects look more promising. In the US, the Class 8 market is expected to drop further, with no upturn predicted until almost the turn of the century. Output levels remain high, however, on a historical basis.

The market leaders have not even had the consolation of surging demand in other big markets to compensate for their difficulties at home. Brazil and Argentina are recovering from recent economic downturns which resulted in sharp cuts in production. But it may take another two to three years to regain previous output peaks. And in Japan, sales are expected to remain flat after rising sharply on the back of new weight legislation in the mid-1990s.

Such poor immediate prospects explain why so many truckmakers have rushed into newer territory. Scania expects heavy truck sales in the former Communist countries to soar by 33 per cent to 200,000 units by 2005, compared with 150,000 units in 1996. Demand is set to be boosted by rising economic growth and the need to replace many vehicles bought during the last sales surge of the late 1980s, the company reckons.

As a first step towards developing their long-term presence in eastern Europe and the former Soviet Union, many leading European manufacturers have set up assembly in Poland. The country is relatively large in terms of geography and population and lies strategically on the main trading routes between western Europe and Russia. Local assembly has been accelerated by high tariffs on imported vehicles, which make a Polish presence essential for significant market share.

While European manufacturers have focused on former Communist countries such as Poland, Hungary and the Czech Republic (and, in the longer term, the former Soviet Union), Freightliner and Paccar, two of the biggest US truckmakers, have targetted China. Both

Continued on next page

World market potential

The Century Class: reinforcing Freightliner's position in the Class 8 market

# Brand loyalty falls as quality and performance gap narrows between manufacturers

Cont'd from previous page:

expect to be assembling significant numbers of heavy vehicles before the end of the century in joint ventures with local partners.

The need for new niches is likely to be reinforced as competition rises. In Europe, industry doomsters have been forecasting an imminent export boom by far eastern manufacturers for years. The incursion has been barely evident so far.

However, the arrival of UK-built Isuzu light trucks after this year's production deal with Leyland Trucks may represent the start of a new trend. Daewoo, the omnipresent South Korean industrial group, appears to have European sales firmly in its sights for the new heavy trucks rolling out of its vast new Kunsan factory. And Samsung, which is gearing up to produce passenger cars at another new plant, is rumoured to be eyeing up the European truck market, too.

The competitive stakes have been raised by wider changes in buying habits. Brand loyality is falling as the quality and performance gap between manufacturers narrows.

The trend is being accelerated by faster product renewal cycles, meaning there is always something new on offer. That means truckmakers are increasingly trying to differentiate themselves by value-added "practicalities" – such as internal financing and maintenence deals – rather than on their products alone.

While competition is set to rise, there are no signs of capacity shrinking. Rather than cutting back, Germany's high-cost manufacturers, led by Mercedes-Benz in trucks and Volkswagen in vans, are striving to drive expenses down.

Both companies have tended to link their attempts to secure greater labour flexibility at their German plants with the introduction of new products. That has proved broadly effective so far: the implicit threat to move production to lower-cost southern or eastern Europe has worked wonders in concentrating minds among traditionally pampered German work forces. The aim is to close the productivity gap with Scania, Volvo and Daf – generally recognised as Europe's most efficient truckmakers.

> Technological priorities now shape the industry as manufacturers move towards 'intelligent' trucks

Mercedes-Benz expects to save DM500m a year through improved productivity at its commercial vehicle and components plants. And it is forecasting an additional DM500m in annual savings on the new Actros heavy truck, which will be much cheaper to build than its predecessor.

Such simplified "modular" vehicles are one of the *leitmotivs* of the industry. The concept is particularly attractive for truckmakers, such as Mercedes-Benz, which have until now built incompatible vehicles around the world. It will be some time before any manufacturer comes up with a "world truck" along the lines of the increasingly standardised products being developed in the passenger car industry. But simplified commercial vehicle ranges – using standardised modules and shared components – will become increasingly evident.

Co-operation on specific projects is another way of cutting development costs and gaining economies of scale. Renault recently announced an agreement to work with General Motors on a new light-medium weight van. Separately, it is involved with Iveco on a slightly heavier product.

Sluggish markets and rising competition have done nothing to stifle innovation. This year's Hannover truck show provided the impetus for a string of new vehicles. Both Mercedes-Benz and Renault have launched important ranges. They also have more in the store for 1997-8. In the US, Volvo took the limelight with its new VN heavy truck.

All the new vehicles share the linked technological priorities now shaping the industry as manufacturers move towards "intelligent" trucks. Electronics are becoming ever more important for normal running and ancilliary functions, such as navigation systems. The Actros even boasts a 'world first' with its electronic braking system linked to standard disc brakes all round.

Improved aerodynamics and lighter materials to save weight and improve fuel economy are the other main themes, along with a greater emphasis on safety and lower emissions. Volvo claims the VN is the most aerodynamic truck in the US – as well as the first to use steel, rather than aluminium, for its cab.

With no sign of overcapacity or rising competition letting up, manufacturers will have to keep innovating to stay ahead.

Urban workhorse: the new LT van marks VW's attempt to establish itself in Europe's highly competitive heavy van market

■ **Vehicle production trends** • By Haig Simonian

# Quest for innovation and economy of scale

## New models testify to the increasing globalisation of the industry

If the commercial vehicle industry had vintages, 1996 would go down as an outstanding year. In the space of a few months, many of the world's leading van and truckmakers have launched vehicles which are likely to feature on the world's roads for years to come – even allowing for diminishing product renewal cycles.

The apparent outburst of new metal stems partly from some manufacturers' tardiness in replacing crucial models. Mercedes-Benz's venerable SK heavy truck range had been soldiering on for 23 years until finally sent packing by the new Actros in September.

The pace of change has been accelerated by the Hannover commercial vehicles show. The September event, which is the world's leading showcase for new trucks and vans, inevitably spurs manufacturers to bring out new products in time.

This year's show provided more than a display of new metal, however. Many vehicles – especially heavy trucks – testified to the increasing globalisation of the commercial vehicles industry.

Outwardly, the trucks exhibited gave little away about the deeper themes, such as joint platforms or shared components, shaping the industry. Beneath the surface, however, many new vehicles illustrated the fact that truckmakers are trying to exploit the same economies of scale already driving the car business towards "world" products.

Commercial vehicles will never become as homogeneous as cars. Regional requirements differ more sharply and lower output levels diminish the impact of economies of scale. But the trend towards shared platforms, or, at the very least, greater use of common components, is becoming evident. The Actros, for example, shares various features with the new Century Class heavy truck unveiled by Freightliner, Mercedes-Benz's US subsidiary, last year.

Electronic engine management is one of the most obvious areas where truckmakers are trying to innovate on a global scale. The Actros and the Century Class boast sophisticated fuel injection and engine management systems to improve economy and reduce emissions. The technology has been jointly developed with Detroit Diesel, the US engine maker in which Mercedes-Benz has a stake.

Lighter materials to save weight and raise payloads, and an ever-increasing emphasis on aerodynamics are among the other common threads appearing in the new vehicles from both sides of the Atlantic.

Mercedes-Benz, Renault and Volvo, the European manufacturers with big US subsidiaries, have been among the pace-setters in trying to pool the knowledge of their US and European operations. Although it will be a long time – if ever – before European and North America trucks look the same, the latest products illustrate the attempts by the three truckmakers to cut product development times and costs and to raise productivity. Volvo's VN, launched in the US in September, claims to be the most wind-cheating tractor in north America. Based on the company's European FH range, the VN boasts innovations, such as the first steel (rather than aluminium) cab on a US heavy truck.

The Actros: Mercedes-Benz's first new heavy truck in two decades

Cross-fertilisation of ideas is not just taking place across the north Atlantic. Volvo is developing further FH variants for Australia and south America. The NH version for Australia, due next year, will combine the chassis of the European FH with the cab of the north American VN, along with special features for the local market. The south American variant, due before the end of the century, will similarly share components while addressing specific local needs.

Scania, which launched its distinctive 4-Series heavy truck in Europe last year, is doing much the same. A conventionally-bonneted "T" version of the 4 Series will go into production in Brazil, Argentina and Mexico next year. While its design will suit local tastes for bonneted vehicles, the truck will share many parts with the European 4 Series.

Renault has also been trying to exploit links between its international operations. The 11-litre engine available in the new Premium medium truck range launched in July "reflects some Mack technology", says a company official.

Mack's influence has become much greater in the Magnum, Renault's heaviest European truck. The slightly uprated range seen in Hannover is now powered by a "Europeanised" version of Mack's 12-litre E7 engine. While some components, such as the alternator and turbocharger, will be fitted in Europe, the basic engine will come from Mack.

The Premium has not been this year's only new entrant in the competitive mid-weight segment of the European market. MAN completed its three-year product renewal cycle with the M2000 range in the spring. And Volvo confirmed expectations in Hannover by unveiling the FLC, its first purpose-built 7.5 tonner.

The newcomers have been well-received. The Actros has won plaudits for its technical innovation, especially its electronic braking system linked to standard disc brakes all-round. Other new features include an electronic engine management system allowing much longer service intervals thanks to an auto-diagnostic system monitoring engine performance. Renault also claims to have had a strong reception for the Premium. The new vehicle, available in two versions for distribution or long-distance haulage, has already notched up almost 6,000 orders, it says.

> Electronic engine management is now a key area of innovation

Meanwhile, Volvo says it has registered 2,000 orders for the VN and hopes to deliver the first 700-800 units by year-end.

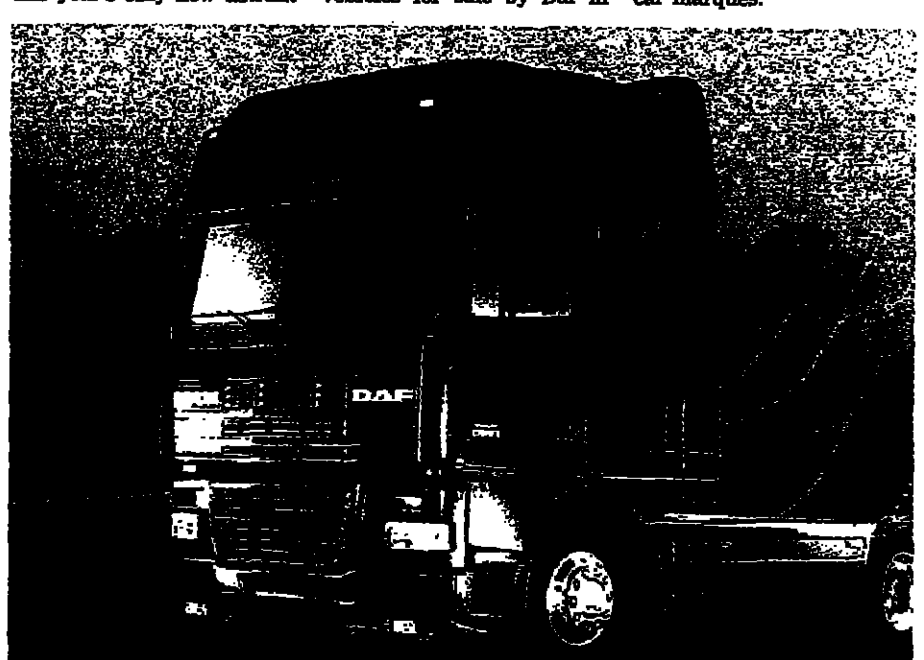
The feast of new vehicles does not imply a famine for 1997. The year will barely have started before Daf launches its new 95 heavy range at the Brussels show in January.

Meanwhile, Leyland Trucks, the UK truckmaker which manufacturers lighter vehicles for sale by Daf in Europe, will be trying to build up output of the Isuzu N series light truck, which went into production in August under contract. The company expects to build 1,000-1,500 units of the 3.5-6.2 tonne range in the first full year.

However, the biggest changes will be coming from Renault and Mercedes-Benz - the two European laggards in renewing their ranges. Renault is expected to unveil its facelifted Magnum, reflecting the more rounded styling of the Premium. Later in 1997 should come the replacement for the Maxter heavy duty truck, to be followed in 1998, with the long-awaited successor for the venerable Midliner 7.5-15 tonne range.

Late 1997 or early 1998 should bring a crop of new metal from Mercedes-Benz. An updated mid-weight 12-17 tonne truck range will rationalise and replace the current LN2 and MK ranges - which are almost as venerable as the heavy SK. Analysts also expect further derivates of the Actros, including a multi-wheel 32 tonner.

Mercedes-Benz is also expected to keep the pressure up in vans. Its Vario heavy van, which has just gone on sale in continental Europe, will reach the UK in the new year. The new 4.6-7.5 tonne range completes a three model product replacement and expansion drive that began with the Sprinter medium van in 1995 and continued with the lighter weight Vito this year. And Volkwsagen will be continuing its push into lighter commercial vehicles which began last year with the creation of a new "fifth brand" for vans and light trucks alongside its better known car marques.



To be unveiled in January: Daf's new 95 heavy truck

The VN – the most aerodynamic truck in the market, claims VW

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# 60 years of success and stronger than ever

Scania is not like other companies in the heavy truck and bus industry. We have been well in the black since 1935. How many other large industrial companies have been profitable for 60 years in a row?

Our formula for success is no secret. We have simply remained true to our ideals long-term.

why our customers are willing to pay more for a Scania.

Scania was a pioneer in developing a modular component system, allowing the customer to adapt the vehicle to his own needs. This freedom of choice makes it profitable to own and drive a Scania.

Every year, our technicians refine


60% OF ALL THE TRUCKS AND BUSES WE MANUFACTURE ARE BOUGHT IN EUROPE.

A SCANIA DOUBLE-DECKER BUS – THE A63 IN CENTRAL LONDON.

POLICE BOAT WITH TWO SCANIA V8 ENGINES. TOTAL OUTPUT: 1,250 HP, TOP SPEED: 40 KNOTS.

Scania was founded in 1891. Our concept was to build vehicles for the most demanding of customers. We started off making railway carriages, and then moved on to heavy trucks, buses, coaches, and industrial and marine engines. We decided that our products would last better and longer than our competitors'. And that we would concentrate on what we are best at – heavy vehicles and engines. Nothing else.

We have never lost sight of this ideal. Every Scania vehicle you see on the road is the outcome of what the most demanding customers have asked of us. This has been – indeed it still is – a good philosophy. Now that Scania is once again an independent company, we are stronger than ever.

Our products are built for an extremely long life, giving the customer a low cost of operation. That is

2,000 of the 8,000 parts needed to build a Scania. Half of our efforts are aimed at reducing the effect our vehicles have on the environment. Our customers are not satisfied with anything less.

Scania has operations in some 100 countries. We are among the world leaders in the heavy truck and bus and coach sector. Our engines have a strong international standing, and are used in such areas as combine-harvesters, water pumps and sea-rescue vessels.

We have not chosen the easy route. Demanding customers are never completely satisfied. This is the incentive for Scania employees. We are doing what we have always done: that little bit extra for the most demanding customers. We know that it is worth our while – sixty years of success is a long time.

**For Demanding People SCANIA**

■ **North America** • By Laurie Morse in Chicago

# Key lessons for global market

## The downturn in US heavy truck demand may be relatively short-lived. The latest trough in the sales cycle could be shallower than in the past, say Wall Street analysts

The US truck-making industry is in transition, pulling out of the busiest production period in its history, and facing a downshift that will sort out which of the leading producers has planned ahead best for the difficult times in this cyclical industry.

In 1995, US truckmakers assembled a record 200,000 heavy-duty trucks. This year they will make about 150,000 of these heavy vehicles, and while projections for next year vary, heavy truck production could fall as low as 130,000 units. Heavy truck demand is notoriously volatile, and linked closely to economic activity.

"The most difficult part of managing our industry is managing the transition years, which we are in," says Mr Jim Hebe, president of Freightliner, the US subsidiary of Mercedes Benz, and one of the world's dominant heavy truck makers.

"The toughest decision that must be made is to determine where your company is going to be in the trough of the cycle, and adjust your 'build-rate' accordingly."

Truck making in the US is no longer a domestic concern – three of the four largest producers are owned by large foreign industrial interests. These groups, Freightliner; Renault subsidiary Mack; and Volvo subsidiary GM-White have rapidly expanded their US market share over the past few years, and all see their US operations as part of a wider global strategy.

Paccar, the publicly-owned company that is the third-largest heavy truck assembler in the US (it produces trucks under the Kenworth, Peterbilt and – in the UK – Foden nameplates) is becoming a global player. This month it completed the $550m acquisition of Daf of the Netherlands, a Dutch concern that has about 9 per cent of the European heavy-duty truck market.

Paccar also has an agreement to produce trucks in China with a Chinese partner, Xuzhou Construction Machinery Group. Through Daf, Paccar will have an exclusive distribution agreement in Europe for mid-size commercial trucks from British manufacturer Leyland.

"The acquisition "demonstrates Paccar's commitment to being a global leader in the heavy-duty commercial truck market," says Mr Charles Pigott, Paccar's chairman. "The combination of Paccar and Daf will enable us to utilize the technological resources available in two major truck markets and to lower costs due to increased efficiencies."

Thus, this is the first production downswing in the US where there are so many global participants. With more diversity – and deeper pockets – the four largest companies may ride out the slide with fewer bumps than in the past.

Mercedes Benz, Volvo, and Renault do not separate out the results of their US subsidiaries. However, market share expansion has not necessarily translated into profits for the European-based assemblers.

Freightliner contends it is now making profits for Mercedes Benz, and is rolling out new product lines. Volvo, however, is slipping in the market for Class 8 (heavy) trucks, and just overhauled management of its US truck-making subsidiary. In a consolidation, it plans to close one of its truck assembly plants, in Ohio, early next year.

The lessons learned in the North American market, however, may prove valuable globally. Without any serious trade protections, North American truck producers compete at price levels much lower than elsewhere in the world. This, industry executives say, should make the North American assemblers sterling competitors as trade barriers fall around the world, and more markets open to foreign manufacturers.

At the moment, however, truck makers must focus on surviving the market trough. Heavy truck sales are depressed worldwide, not just in the North American market: Freightliner, which had 29.5 per cent of the US commercial heavy-duty truck market at midyear, plans to cope by looking beyond its traditional customers and looking for special niches; by broadening its international markets; and by using technology to improve demand for its existing products.

Interestingly, the niches Freightliner has jumped into this year are school-bus chassis and firetruck assembly, both markets that are expected to grow only modestly, and which are dominated by Navistar in the US. Chicago-based Navistar has dropped to fifth on the list of US heavy truck makers, but still leads the school bus chassis market.


Spanning the years: Mack Trucks' first vehicle, pictured 95 years ago – and the new Mack 'Millennium', the CH 600; the company made its name in the US during the construction boom, earlier this century. Mack is now owned by Renault

Pioneer John Mack, the founder of Mack Trucks

Freightliner plans to revive the American LaFrance name, which it purchased two years ago, and build firetruck cabs and chassis under that 150-year-old nameplate. Freightliner executives say their medium-duty truck is quite suitable for fire service.

Navistar, meanwhile, is one of the few major US truck manufacturers without a European distribution arrangement. It has a long-tested presence in Mexico, however, and has dedicated $167m to build a new assembly operation in Mexico to serve the Mexican and Latin American truck market.

It had been using a Mexican partner to build trucks for Mexican sales, but is abandoning that arrangement.

At home, Navistar continues to battle labor problems, and recently shelved a plan to reorganise its US manufacturing operations to facilitate a new generation of trucks because of union objections.

The company may revive its plans for new, modern truck production lines once labour/management talks resume, but says it could still take a $35m charge to fourth-quarter earnings to cover costs associated with the abandoned effort.

Overall, analysts say this downturn in US heavy truck demand may be relatively short-lived, and the trough of the cycle could be shallower than in the past.

"A few years ago, 130,000 units would have been a banner year for the heavy truck industry," notes one Wall Street analyst. "You have to look at these things in the longer term context."

**Brazilian truck manufacture**

by weight sector and manufacturer

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|---|
| **Ford** | | | | | | | |
| Medium | 12,880 | 10,486 | 10,749 | 11,366 | 12,569 | 13,744 | 14,042 |
| Heavy | 576 | 487 | 456 | 505 | 549 | 572 | 589 |
| | 13,456 | 10,973 | 11,205 | 11,871 | 13,118 | 14,316 | 14,631 |
| % change | 15.1 | -18.5 | 2.1 | 5.9 | 10.5 | 9.1 | 2.2 |
| **GM** | | | | | | | |
| Medium | 2,205 | 1,517 | 1,771 | 2,163 | 2,585 | 2,970 | 3,156 |
| | 2,205 | 1,517 | 1,771 | 2,163 | 2,585 | 2,970 | 3,156 |
| %change | -14.7 | -31.2 | 16.7 | 22.1 | 19.5 | 14.9 | 6.3 |
| **Mercedes-Benz** | | | | | | | |
| Medium | 19,373 | 15,829 | 16,767 | 19,890 | 21,887 | 22,725 | 23,551 |
| Heavy | 7,686 | 5,531 | 7,184 | 8,226 | 8,990 | 9,713 | 10,238 |
| | 27,059 | 21,360 | 23,951 | 28,116 | 30,877 | 32,438 | 33,789 |
| % change | -1.4 | -21.1 | 12.1 | 17.4 | 9.8 | 5.1 | 4.2 |
| **Scania** | | | | | | | |
| Heavy | 6,550 | 5,013 | 5,726 | 6,552 | 7,136 | 7,824 | 8,247 |
| | 6,550 | 5,013 | 5,681 | 6,398 | 7,136 | 7,824 | 8,247 |
| % change | -3.0 | -23.5 | 13.3 | 12.6 | 11.5 | 9.6 | 5.4 |
| **Volvo** | | | | | | | |
| Heavy | 5,820 | 4,054 | 4,963 | 5,584 | 6,213 | 6,893 | 7,470 |
| | 5,820 | 4,054 | 4,963 | 5,584 | 6,213 | 6,893 | 7,470 |
| % change | 4.6 | -30.3 | 22.4 | 12.5 | 11.3 | 10.9 | 8.4 |
| **Volkswagen** | | | | | | | |
| Medium | 13,427 | 10,323 | 11,681 | 13,843 | 14,485 | 15,013 | 15,142 |
| Heavy | 897 | 787 | 945 | 1,042 | 1,117 | 1,181 | 1,210 |
| | 14,324 | 11,110 | 12,626 | 14,885 | 15,602 | 16,194 | 16,352 |
| %change | 65.7 | -22.4 | 13.6 | 17.9 | 4.8 | 3.8 | 1.0 |
| **TOTALS** | | | | | | | |
| Medium | 47,885 | 38,155 | 40,968 | 47,262 | 51,526 | 54,452 | 55,891 |
| Heavy | 21,529 | 15,872 | 19,274 | 21,909 | 24,005 | 26,183 | 27,754 |
| | 69,414 | 54,027 | 60,242 | 69,171 | 75,531 | 80,635 | 83,645 |
| % change | 10.8 | -22.2 | 11.5 | 14.8 | 9.2 | 6.8 | 3.7 |

Note: Source statistics have been re-classified to determine segmentation. Medium are defined to be 6-15t GVW; and Heavy is above 15t GVW plus Artics Source: World Truck Industry Forecast Report, November 1996 Historical Data Source: KAMA

**US truck manufacture**

Production by manufacturer

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|---|
| **Medium duty: Classes 4 - 7** | | | | | | | |
| Ford | 60,080 | 50,646 | 47,405 | 45,400 | 47,184 | 49,669 | 52,137 |
| Freightliner | 11,017 | 19,702 | 18,740 | 18,730 | 19,120 | 19,466 | 20,299 |
| GMC | 44,229 | 30,258 | 30,008 | 30,921 | 31,570 | 32,579 | 33,076 |
| Navistar | 64,032 | 63,261 | 60,568 | 59,233 | 60,018 | 62,012 | 63,181 |
| Volvo/GM | 882 | 758 | 625 | 570 | 630 | 650 | 738 |
| Paccar | 480 | 186 | 110 | 256 | 314 | 430 | 419 |
| | 180,720 | 164,810 | 157,455 | 155,110 | 158,836 | 164,806 | 169,850 |
| **Heavy duty: Class 8** | | | | | | | |
| Ford | 21,956 | 18,030 | 15,760 | 15,430 | 16,405 | 17,316 | 18,350 |
| Freightliner | 55,275 | 47,765 | 43,904 | 42,230 | 44,650 | 48,287 | 50,615 |
| GMC | | | | | | | |
| Mack | 27,720 | 22,706 | 20,080 | 19,577 | 20,845 | 22,497 | 23,550 |
| Navistar | 24,574 | 17,056 | 13,480 | 12,564 | 14,230 | 16,975 | 18,210 |
| Paccar | 47,681 | 42,590 | 35,848 | 33,155 | 34,130 | 36,441 | 38,245 |
| Volvo/GM | 26,990 | 17,531 | 16,324 | 16,152 | 17,120 | 18,172 | 19,270 |
| Miscellaneous | 1,061 | 1,185 | 890 | 785 | 885 | 977 | 1,010 |
| | 205,257 | 166,863 | 146,286 | 139,883 | 148,265 | 160,665 | 169,250 |
| **TOTAL** | | | | | | | |
| Ford | 82,036 | 68,676 | 63,165 | 60,830 | 63,589 | 66,985 | 70,487 |
| Freightliner | 66,292 | 67,467 | 62,644 | 60,960 | 63,770 | 67,753 | 70,914 |
| GMC | 44,229 | 30,258 | 30,008 | 30,921 | 31,570 | 32,579 | 33,076 |
| Mack | 27,720 | 22,706 | 20,080 | 19,577 | 20,845 | 22,497 | 23,550 |
| Navistar | 88,606 | 80,317 | 74,048 | 71,797 | 74,248 | 78,987 | 81,391 |
| Paccar | 48,161 | 42,776 | 35,958 | 33,411 | 34,444 | 36,871 | 38,664 |
| Volvo/GM | 27,872 | 18,289 | 16,949 | 16,722 | 17,750 | 18,822 | 20,008 |
| Miscellaneous | 1,061 | 1,185 | 890 | 785 | 885 | 977 | 1,010 |
| | 385,977 | 331,673 | 303,741 | 295,003 | 307,101 | 325,471 | 339,100 |

Source: World Truck Industry Forecast Report, November 1996 Historical Data Source: KAMA

■ **Argentina** • By David Pilling in Buenos Aires

# Mercosur spurs demand

## Truck production is recovering substantially as Argentina pulls out of recession

Argentina's sharp recession of 1995 may have bitten deeply into sales of all vehicles, including trucks, but it appears not to have sapped the enthusiasm that truck-makers have for South America's second-largest market after Brazil.

Sales of trucks and buses in Argentina were down slightly in 1996 to 11,037, according to Adefa, the Argentine association of vehicle manufacturers, about a fifth of the sales registered in Brazil.

Argentine truck production, concentrated among the three principal local manufacturers – Iveco, Mercedes-Benz and Scania – fell 19.1 per cent last year to 5,134. This followed two years of rapid expansion in which production had risen by 15.7 per cent in 1993 and by nearly 20 per cent in 1994.

But this year will see truck production bounce back substantially as Argentina pulls out of recession, according to DRI/McGraw-Hill, the motor industry analyst. Over the next years, commercial vehicle sales will rise "substantially", according to a recent report by the group.

"As the country continues developing and the road network is extended, demand for trucks will continue growing," says Mr Richard Walles, an analyst at DRI/McGraw-Hill. "It's not like Europe where sales are generally in order to replace the existing fleet. This is new demand."

"Sales of the ultra heavies, above 15-16 tons, should grow faster than the 6-15-ton trucks," says Mr Walles, "as hauliers try to improve the efficiency of their business."

Demand is being spurred principally by Mercosur, the customs union which links Argentina with Uruguay, Paraguay and – by far most importantly – the 150m-strong Brazilian market. Development of the customs union, which has brought free regional trade in most goods, has seen a four-fold surge in Argentine exports to Brazil since 1995 to $5.5bn last year. Most of those goods, much of them agricultural-based products such as wheat, meat and cheese, go by road.

Truck producers, like those of cars and utility vehicles, are encouraged to manufacture within the region by a Mercosur auto regime which penalises vehicle imports through high tariffs, and rewards local producers with plants in both Brazil and Argentina.

Under the agreement, Brazilian and Argentine manufacturers are entitled to import vehicles from each country duty-free, as long as they satisfy local content and trade-balancing requirements. In practice, manufacturers have begun to specialise, building one type of vehicle in Argentina and another in Brazil. Shipments between the factories are then carefully balanced to avoid duties.

In the truck industry, the trend is increasingly towards manufacturing light vans, trucks and utility vehicles in Argentina, while using Brazil as a base for heavy-vehicle production.

Mercedes-Benz is to produce a new small six-ton GVW truck in Argentina for regional sale and will also be producing 15,000 Sprinter vans at a new plant from next year. "Mercedes will produce light utility vehicles here [in Argentina] and heavy-weight trucks in Brazil," says Mr Martin Pradier, an analyst at Deutsche Morgan Grenfell.

As a result of that strategy, production of heavy trucks in Argentina is likely to fall over the coming years, even as demand rises, says DRI/McGraw-Hill.

Iveco is pursuing a similar strategy to Mercedes, with plans to invest a total of $200m on plants in Brazil and Argentina. The former will specialise in medium-to-heavy vehicles, while the Argentine plant will produce light-to-medium vehicles based on the Daily light truck range and the UK-built EuroCargo model. Iveco plans to export a sizeable amount of its Argentine production to Brazil.

Swedish manufacturer Scania, which has 12 per cent of the Argentine truck and bus market, last year began production of its new P93 truck at its Tucumán plant in north-western Argentina.

The real boom, though, is expected to come in utility vehicles which have already taken hold, both for family and commercial use. In 1986 there was only a handful of utility models on offer, but the range has now risen to 50. At the start of the 1990s, for every 100 vehicles sold, only 12 were utilities, a figure that has now risen to nearly 20. In the first 10 months of this year, domestic sales of vans and pick-ups were up 55 per cent on the same period in 1995 to 50,957.

"There has been an important shift in the way goods are transported," says Mr Rodolfo Ceretti, head of Ford Argentina. "That task is completed much more efficiently in cities by using utility vehicles, rather than heavy-duty trucks which are more appropriate for rural transport."

Three companies are planning local production of utilities, including Chrysler which has invested $100m in a plant to build Jeep and Grand Cherokee vehicles in Córdoba. Production is due to start early next year, with annual output to start at 10,000, rising to a potential 16,000.

This month, Toyota inaugurated a plant in Zárate, an industrial zone outside Buenos Aires, for the production of Hilux pick-up trucks. The factory, which also cost around $100m, will produce 20,000 vehicles a year.

Until such production is achieved, most utility vehicles will continue to be imported, says Ms Paula Bujía, a Buenos Aires-based analyst with Caspian. However, Ciadea produces the Renault Trafic in Córdoba and Sevel, and its Peugeot 504 pick-ups in Palomar. Renault and Ford dominate this market-segment with nearly 20 per cent each, while Chevrolet has 16 per cent; and Sevel, the local Peugeot licensee, 10 per cent.

The only cloud on the horizon for utilities could be a 10 per cent tax on diesel vehicles that is due to come into effect next year – "there's a lot of lobbying going on," says Ms Bujía. "No-one knows the elasticity of this demand, but I don't expect it to have a terrible impact."

■ **Brazil** • By Jonathan Wheatley in Sao Paulo

# Still confident in the medium-term

## Slow sales will eventually recover in Brazil, the main production base in Latin America

Truck production in Brazil will fall by more than 20 per cent this year and manufacturers expect to wait two or three years before output recovers. Slower economic growth and very high interest rates are largely to blame. But the amount of activity in the industry suggests manufacturers are confident that demand will pick up in the medium term.

Volkswagen's new truck and bus factory at Resende, near Rio de Janeiro, will make 40,000 vehicles a year once production is up to speed from 1997. Scania is preparing to launch its Series 4 range in the country, following its launch in Europe last year. Mercedes-Benz spent $20m developing its Brazil Series of four trucks, introduced earlier this year and designed to replace 14 older models.

"Brazil has all the makings of an expanding market," says Mr Roberto Bogus, sales director at Mercedes-Benz in Sao Paulo. Sales of agricultural equipment, which fell sharply last year, have shown signs of recovery in recent months, suggesting truck sales might follow. Looking further ahead, Mr Bogus says growth will be led by the consolidation of the government's stabilisation programme and long-term economic expansion.

The stabilisation programme produced a boom across the economy following the introduction of a new currency, the Real, in July 1994. With hard cash in their pockets for the first time many could remember, Brazilians went on a spending spree. Truck-makers benefited from the rush to distribute everything from chewing gum to washing machines across Brazil's enormous territory.

Since then, though, the government has put the brakes on the economy to avoid a return to high inflation. The boom was enough to push truck sales up by 13 per cent last year, though almost all the growth was during the first half. Since then, the retraction has been dramatic.

"The market grew for four years in a row from 1992 to 1996," says Mr Hans Hedlund, president of Scania Latin America, based in Sao Paulo. "This year, it has shrunk across the board. For the short-term, the outlook isn't positive."

While growth in the economy has dwindled, manufacturers have suffered the extra pressure of the government's interest rate policy. Rates have been kept high to suppress consumer spending and to attract foreign capital to fixed income investments as a means of financing Brazil's current account deficit. As competition increased across the economy, many hauliers could no longer afford to finance new vehicles at interest rates of as much as 60 per cent a year.

The government has reduced interest rates over the past year and the trend should continue, albeit slowly. With the economy showing signs of recovery, production of trucks is expected to rise from 54,000 units this year to 60,000 in 1997. But there is little prospect of a return to the market's heyday of the late 1970s, when production rose to more than 100,000 vehicles a year.

In those days the Brazilian market was sealed off from the outside world by prohibitive customs duties and an industrial policy of "import substitution". Those policies have been reversed since the beginning of the 1990s, and manufacturers are now immersed in the world trend towards globalisation.

Scania recently reorganised its operations in Brazil, Argentina, Mexico, Chile and Peru into Scania Latin America. Product engineering, development and purchasing are all based in Sao Paulo. Gradually, manufacturing is coming into line with the company's global policy of "standardisation", using modular vehicle designs and parts that are identical across the company irrespective of where they are made.

The policy will take time to introduce in Latin America because of the traditional separation of manufacturing there from the rest of the world. But by the end of 1997, says Mr Hedlund, "our factories in Latin America will operate at first world levels of productivity and quality, making global vehicles".

Increased competition means manufacturers must make extra efforts to gain an edge over the opposition. Scania says its after sales service – concentrating on maintenance, rescue services and ready availability of parts – has become a decisive factor in winning sales.

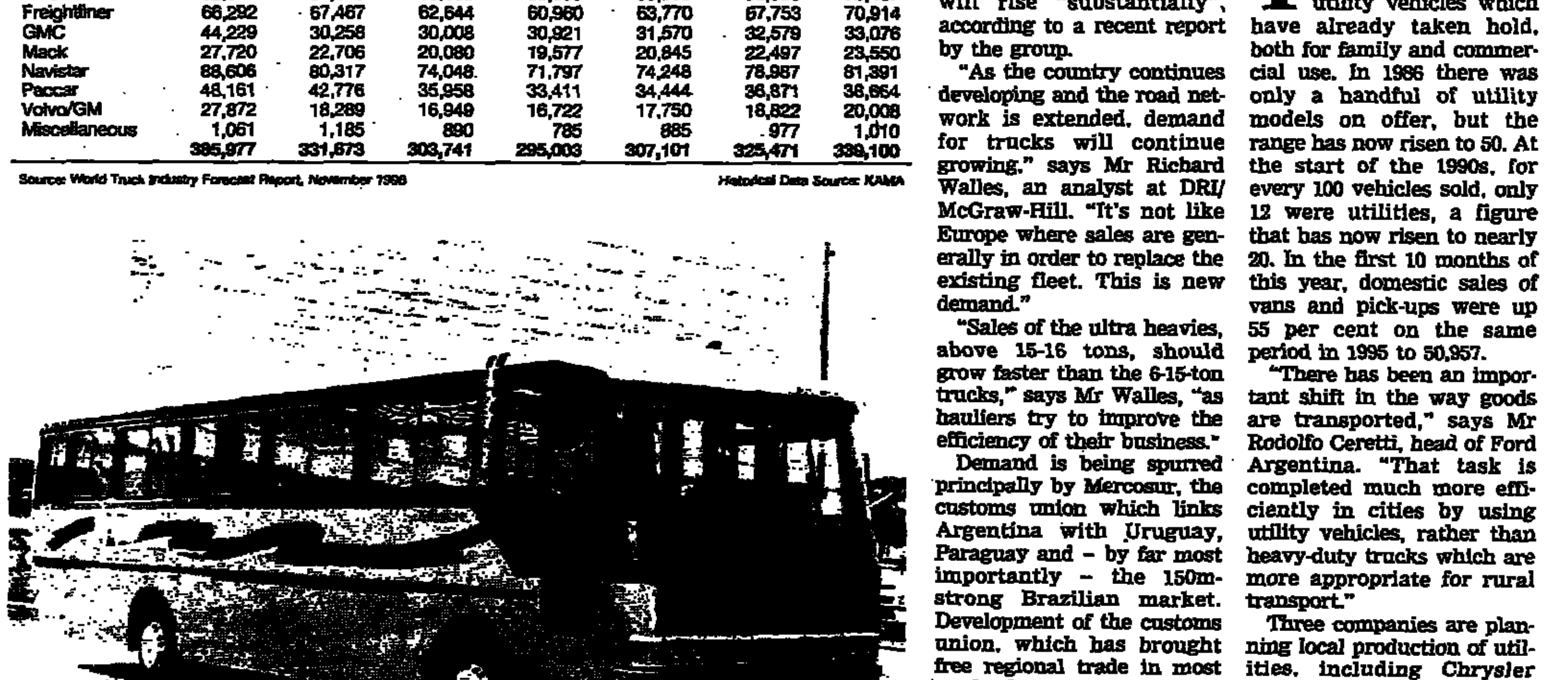
Mercedes-Benz hopes reliability and long life will give a similar edge to its Brazil Series. These vehicles, too, show the results of simplification and standardisation, with fewer and simpler parts designed to increase efficiency and durability. The company says the new trucks incorporate 150 technological innovations, of which 60 per cent were suggested by its customers.

Volkswagen's new truck and bus factory at Resende has given the Brazilian industry a rare lead over the rest of the world. The factory is the first to use a "modular consortium" system of production, in which suppliers take responsibility for operating individual units within the factory, assembling key parts and installing them on vehicles. Volkswagen's role is largely restricted to quality control, sales and marketing.

If it works – and Volkswagen says its early experience was so positive that a "practice" factory built to test the system ended up entering production – the system will later be extended to car manufacture and to locations outside Brazil. Meanwhile, VW hopes reduced costs at Resende will give it a competitive advantage.

As manufacturing methods in Brazil become more similar to those in the rest of the world, factories there can supply parts and vehicles to ever wider markets. Brazil is already the industry's chief – though far from only – manufacturing base for Latin America. Manufacturers already swap some parts between factories in Brazil and Europe, for example.

As this trend continues, Brazil's role in the region should be strengthened. Mr Bogus at Mercedes-Benz says Brazil is the obvious choice for manufacturers setting up in the region, simply because it offers the biggest single market. The development of the Mercosur customs union between Brazil, Argentina, Paraguay and Uruguay should also strengthen Brazil's role, although the union will take time to mature.



The Volksbus: Volkswagen's new truck and bus factory at Resende, near Rio de Janeiro, will give the Brazilian industry a rare lead over the rest of the world. Target production is 40,000 vehicles a year

■ **European markets** • By John Griffiths

# Market momentum is finally slowing down

**Strong market resilience has been shown by light commercial vehicles – those up to 6 tonnes – which are by far the industry's largest sector**

European truck sales have kept up a surprising momentum in the face of sagging business confidence and faltering economies, caused in part by governments tightening financial screws in order to meet EU monetary union criteria.

Against all expectation, registrations of trucks over 3.5 tonnes in the 15 main countries of western Europe were up 7.9 per cent in the first half of the year, according to estimates by market monitoring group Automotive Industry Data.

But the momentum is at last starting to slow. And for the next two years, in the heavy trucks sector at least, sales are expected to go into reverse. The forecasting group DRI/McGraw-Hill predicts that this year's final figures will show registrations of heavy trucks – those over 15 tonnes – 1 per cent higher than in 1995, at 176,490. However, it warns that having gained the most from Europe's short-lived economic recovery, "heavy trucks will bear the brunt of the slow-down in the next two years."

The downturn is expected to be slight. DRI expects a 3.2 per cent fall in the sector's registrations next year, followed by a further drop of 4.1 per cent in 1998 before the market turns up once more in a recovery lasting beyond the end of the decade.

The projections for medium trucks, in the 6-15 tonnes range, are slightly brighter. The medium sector did not share in the rapid recovery of the "heavies" from the early-1990s recession, with sales rising by only about 10 per cent since 1993 compared with a 44 per cent jump for heavy trucks. Thus DRI expects modest growth of 2 per cent, to around 81,140 units next year and a further 2.5 per cent rise in 1998.

The greatest resilience of all has been show by light commercial vehicles, up to 6 tonnes, which are by far the industry's largest sector. Partly, this resilience is attributed to the strength of the current replacement cycle for light commercials bought in the boom years of the late 1980s; but partly, too, it is believed to reflect an exceptionally competitive market being supported heavily by manufacturers' sales incentive programmes. The combined effect is an expected 4 per cent growth in the sector this year followed by 5.1 per cent in 1997 and reaching a peak of 1.4m in 1998.

One of the big problems facing truck makers in the region is that production momentum over the 18 months to the middle of this year was being sustained even more vigorously than sales. With output rates running around 20 per cent higher than 1995 levels in the opening months of this year, the inevitable consequence of the second-half sales slowdown is an industry heavily over-stocked and reducing output sharply.

On DRI estimates, the overall output cutback is 15 per cent for the second half of this year – and the problems being caused to individual manufacturers are becoming ever more obvious. MAN of Germany, for example, warned shareholders only last month that sagging demand in the region will result in a sharp profits fall this year.

Demand has been weakening even in the UK, one of the few main European countries in an economic recovery phase. Despite a sales upsurge in the past two months – attributed wholly to the registration of trucks not complying with stiffer "Euro 2" exhaust emissions legislation introduced on October 1 – most truck makers now think the UK truck market this year will be 5-10 per cent down on 1995, with a further fall in the same range likely for 1997.

However, companies suchas the UK market leader Iveco-Ford expect that the drop will be confined to the first half, with demand starting to pick up strongly from next autumn.

Uncertainties also abound about the future direction of other heavy truck markets, not least Spain's. While noone believes it is about to re-experience the disastrous plunge of the turn of the decade – when sales fell from 20,000 units to less than 5,000 within four years – sales are expected to finish the year about 12 per cent down, with no immediately obvious reasons for recovery next year.

With exports also muted, the scenario in which too many trucks have been chasing too few buyers has produced two further rounds of rationalisation within the industry.

The more significant, and most recent, came early in October, when Daf Trucks, the Dutch-Belgian heavy truckmaker revived from bankruptcy three years ago, was taken over by US truck maker Paccar, headquartered in Seattle, for Fl938m ($570m).

Mr Cor Baan, Daf's chairman, rationalised the deal as providing access to a much more international sales network, as well as providing finance and technology benefits.

Daf is by no means a minnow: it produced almost 17,000 trucks last year, and sold 25,000 thanks to an arrangement under which its buys in rebadged lighter vehicles from Leyland Trucks of the UK. However, despite its earlier rescue, its roughly nine per cent share of the region's heavy truck market had left it continuing to appear vulnerable in the face of chronic over-capacity in the European industry and the much heftier product development and marketing muscle of larger rivals like Mercedes-Benz and Iveco.

The Daf takeover followed by just a few months a decision by chairman Mr Peter Foden to give up the long, hard struggle by ERF – the smallest of the UK's heavy truck makers – to maintain its independence. The Cheshire-based company, which produces around 4,000 trucks per year, was bought by Western Star, the Canadian truck company which is about twice ERF's size.

Both DAF and ERF fell victim to the inexorably rising new product development costs required by ever more demanding safety and emissions legislation, and the ever higher marketing bills associated with relentless competition.

The deeper involvement of Paccar in the European industry (it already owns the small, specialist UK truck maker Foden) may have wider implications than an ownership change.

Paccar is unlikely to replicate the mistakes of European producers who, having bought up North American truck makers in the 1980s, tried to stuff European-style product down reluctant US truck operators' throats.

But Paccar *is* very much in the tradition of the North American industry in buying in the most expensive and difficult-to-develop components – engines, transmissions and axles – from specialist producers such as Cummins Engine, Eaton and Rockwell, rather than developing its own. The attractions of simultaneously taking a large chunk out of Daf's costs by abandoning 'in-house' drivetrain development and manufacture, and increasing its own muscle power with the independents because of the greater purchasing economies of scale, can be expected to prove irresistible to Paccar.

It may also turn out to be the key which, for Cummins *et al* finally starts to unlock the European market. North America's big drivetrain suppliers have long sought entry to European truck manufacturing by arguing that, just as in the US, it is ludicrous – given the volumes involved – for most European truck makers to produce their own engines and transmissions when they could buy better, cheaper engines from specialists able to invest much more in research and development because of their subsequent high volume of sales. With the occasional exceptions such as ERF, or a clearly-defined product niche in the case of a larger European truck maker, those arguments have mostly fallen on deaf ears.

Twenty thousand Dafs coming into the marketplace with a clear cost advantage could be much more difficult to ignore. Nor is competition within Europe going to be confined to existing players. Daewoo Motor, the South Korean industrial giant's aggressively expansionist vehicles arm, is poised to start its exports of heavy trucks to the region from its new and massive plant at Kunsan.

Output, which began last September, is already up to 20,000 units a year from next month. The trucks range in size from 8 to 23 tonnes gross, with Daewoo engines, and have been designed for international markets by the UK engineering consultancy, Hawtal Whiting.

The export drive from Kunsan forms only part of the threat – Daewoo has also bought control of Avia, the largest truckmaker in the Czech Republic, where it plans to invest heavily in new trucks and engines. Eastern and central European markets are first on the agenda. But those of western Europe will not be far behind.

Scania is among the most efficient of Europe's truckmakers. Above: an urban distribution version of Scania's new 4 Series truck

Designed for trips in town: MAN's NG 263, 260 hp, low-floor bus carries up to 84 passengers

■ **Advances in technology** • By John Griffiths

# Moving towards 'intelligent' vehicles and highways

**Telematics to create 'intelligent' highways, may eventually make movements of all traffic generally more efficient**

Next summer, on Austria's scenically spectacular Brenner autobahn, a remarkable series of trials is planned to get under way.

Car drivers could find themselves passing pairs of heavy trucks in which the driver of the second truck, just a precarious metre or so behind the first, would appear to be giving whole new and dangerous emphasis to the word 'tailgating'.

Except that, on closer examination, the 'driver' of the following truck will be seen not even to have his hands on any of the controls. He will be in the cab purely as a 'minder'. The *real* driver of both vehicles will be in the front truck, controlling the movements of the two vehicles electronically.

The "electronic drawbar" experiment has a considerably more serious function than to encourage incredulous car drivers to think that it's time to lay off the schnapps.

If the concept proves workable – and that means steering successfully not just around technical obstacles but pitfalls of legal liability – within a decade motorists could be passing not pairs of trucks but a 'convoy' of a dozen or more vehicles, just as closely linked and with still only one driver, in the lead vehicle.

There are two instantly obvious advantages to a significant proportion of road haulage being switched to such a system.

First, a potentially large saving in manpower costs for hauliers; second, significant fuel savings. Trucks, especially tractor units with their big frontal areas, consume a substantial part of fuel energy simply to displace the air through which they are moving, with resistance rising as a square of speed. By bunching up many trucks close together, to form a 'roadtrain', fuel consumption reduction will be proportional to the number of trucks which can 'hide' behind the lead truck's frontal area.

The concept is radical, but has already been shown to work in its fundamentals on manufacturers' private test tracks. One big drawback, of course, is that it could not be used on 'ordinary' roads - but it could be used on motorways, which account for by far the greatest proportion of truck haulage miles and where the inside lane could be dedicated to their exclusive use.

The convoy experiment provides just one illustration, albeit a spectacular one, of how extensive the changes are likely to be in the specification and operation of trucks as the world moves towards both "intelligent" vehicles and "intelligent" highways early next century.

The experiment is also to be taken seriously, for Europe's two biggest truck makers, Mercedes-Benz and Iveco, have joined forces to pursue it.

Two of Mercedes' new Actros tractor units and two Iveco Eurostars are being modified to undertake the experiment, which has several other in-built 'fail-safes'. Engine, transmission and steering will all be under electronic control, with the driver's commands replicated and conveyed to the following track by camera, infra-red and back-up radio systems.

Another claimed advantage of the concept is that, by bunching trucks together, there will be less congestion than is the case with large numbers of individual trucks, making overtaking by cars safer and more orderly. Each convoy would be assembled and dispersed at mutually convenient motorway services centres.

## Pilot schemes

Other new technologies, notably the telematics to create 'intelligent' highways, should facilitate the use of such convoys and make movements of all traffic generally more efficient. Gradually, in pilot schemes across Europe, roadside traffic monitoring beacons are being introduced which, within a decade, will grow into Europe-wide networks capable of exchanging data with on-board terminals in cars and trucks.

They will warn of congestion ahead and, once integrated with satellite road navigation systems already starting to go on sale, will provide the means by which all traffic can be paced most efficiently by means of speed controls, synchronised traffic lights and automatic re-routing around congestion spots.

Taken together, the measures are expected radically to reduce the delays, wasted man-hours and unproductive fuel consumption calculated to cost EU countries alone substantially in excess of $17bn each year.

Electronic control systems are already bringing about a revolution on board the truck itself, managing ever more sophisticated engine, transmission, traction and suspension systems. The revolution, however, as yet is stopping well short of any fundamental change in engine type – at least in the medium term.

Trials are proceeding – as they have already done for decades – with alternative engines to the ubiquitous truck diesel. But as yet only engines adapted to run on compressed natural gas (CNG) or liquefied petroleum gas(LPG) have begun even to nibble at the dominance of the diesel. All other forms have date have provided insuperable.

Petrol engines, at least for medium and heavy trucks, are hopelessly uncompetitive because of their far greater thirst for fuel than diesel. CNG and LPG are environmentally 'cleaner' than the diesel – in particular, they emit none of the diesel's tiny particulates suspected of being carcinogenic – but the on-board tanks needed to store the fuel are bulky and in only a very few countries has a gas refuelling infrastructure been developed to come anywhere near matching that of diesel and petrol.

That has not stopped Mercedes-Benz – which also owns Freightliner of the US and is the world's largest truck maker – and some other producers, researching the potential of a number of "alternative" fuels and engines for trucks. At last count, Mercedes-Benz had around 20 such research programmes in operation.

None is set to challenge diesel in the short to medium term, and it seems unlikely that the most promising "clean" powertrain technology of all – the hydrogen fuel cell – will become the motive power for heavy trucks covering long distances.

However, Mercedes in the past two years has been making great progress with the technology; the fuel cell to drive one of Mercedes' large panel once weighed 800 kilogrammes and required virtually all the interior space. Already it has been reduced in size to fit within a relatively small compartment, even including its hydrogen and oxygen tanks.

"Given that degree of progress it may be unlikely, but it should not be ruled out, that such fuel cells may one day power trucks," according to a Mercedes-Benz spokesman.

"The big advantage is that the exhaust of such a truck would be almost entirely water vapour; however, there are other big problems, like the distribution infrastructure for the hydrogen and oxygen 'fuel' to be resolved. But if all these problem could be overcome, then it would undoubtedly leapfrog all the other technologies."

The pressures to develop environmentally "cleaner" trucks, particularly to improve air quality in urban areas, continue to increase. Wider availability of CNG and LPG in North America has already led engine makers such as Cummins and Caterpillar to put on sale heavy truck engines capable of running on these fuels. Progress continues to be slow, however, because of the additional costs involved.

In the UK for example, gas provider BOC acknowledges that currently an operator wishing to buy and use CNG-powered trucks for environmental reasons would face a $30,000 penalty for each $80,000 heavy truck purchased.

Some $8,000 of this represents the extra purchase cost of the engine itself. The biggest disincentive, however, is the $20,000-plus fall in the resale value of such a vehicle compared with a diesel version.

Not surprisingly, the gas industry and even some truck operators insist that there is a duty on governments to encourage the growth of such 'clean' fleets, if necessary through subsidy. The UK government, for example, has been told by a small industry consortium that a natural gas truck fleet of several hundred vehicles for urban areas could be financed by the equivalent of less than one cent on diesel and petrol fuel duty.

The consortium, comprising diesel engine producers Cummins and VarityPerkins, British Oxygen, British Gas and truck maker ERF claim such funding, made available over four to five years, would be sufficient to cover the additional cost of developing, producing and operating such vehicles until economies of scale could be reached to make them cost-competitive with diesel trucks.

After that period, most of the financial penalties to operators would virtually disappear as a result of engine manufacturing economies of scale being built up, a sizeable market developing in used CNG vehicles and an adequate refuelling infrastructure being put in place.

The arguments are starting to fall on more receptive government ears; but not quite in the way the consortium would like. In its most recent budget, the UK government cut the duty on gas fuels by 25 per cent. But it is regarded as not enough, and so far there is no sign of part of the tax take from the fuels being devoted specifically to underwriting gas-truck fleet growth.

## Emissions

Efforts to make the diesel itself cleaner continue apace, in part driven by legislation. In October the EU's "Euro 2" emissions standards, further restricting permissible levels of particulates, oxides of nitrogen, hydrocarbons and carbon monoxide, came into force – in the process adding around $5,000 to $6,000 to the cost of a heavy truck.

Euro 2 is not the end of the story; already Brussels bureaucrats are debating how much further emissions should be reduced under "Euro 3" rules, and precisely when they should be introduced.

The industry expects these to be around the turn of the century but, unless there is a radical re-think by Brussels in the interim, does not expect meeting the Euro 3 standards to be as difficult as meeting Euro 2. This is because of the intensive technological effort that was required to meet Euro 2, and which has led to most of the parameters of engine and transmission control already being placed under electronic control.

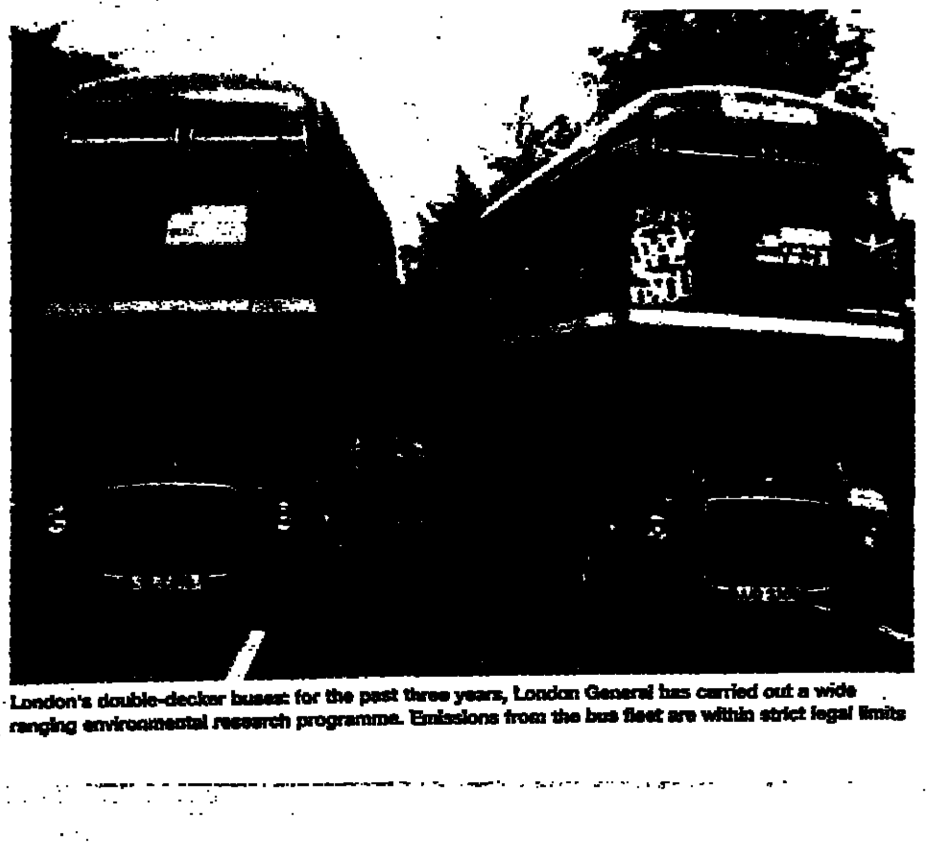
Meeting Euro 3 will be largely a matter of making management systems and injector systems more sophisticated, with even higher injection pressures, truck makers hope.

Nor, they insist, should be onus of developing 'clean' trucks fall entirely on the manufacturers. The entire vehicle-making industry claims that air pollution could be drastically reduced almost overnight if the oil refining industry were to make available 'clean' fuels, reformulated to provide very low sulphur content and mainly benign hydrocarbons.

It is an argument that the refining industry is currently rejecting, insisting that the costs of modifying refining capacity would be prohibitive.

But with the need to improve urban air quality becoming rapidly more urgent, Brussels may yet put pressure on both in tandem.

Pressing ahead in India: Iveco will open its new Bangalore plant this month



London's double-decker busses: for the past three years, London General has carried out a wide ranging environmental research programme. Emissions from the bus fleet are within strict legal limits

■ **Japanese producers** • By Michiyo Nakamoto in Tokyo

# Optimism now renewed

## Improvements in the Japanese economy will boost cargo-trucking activity and the subsequent demand for new vehicles

After a prolonged period in the doldrums, following the burst of Japan's economic bubble, the domestic commercial vehicle market has been enjoying relatively stable growth over the past year or so, supported largely by changes in the regulatory environment.

Like the domestic passenger car market, Japan's commercial vehicle sector is a mature market where growth depends to a large extent on replacement demand.

At the same time, as in other vehicle markets of the world, Japan's commercial vehicle market has tended to faithfully reflect the state of the economy. For example, during the heady days in the latter part of the 1980s when highly inflated asset prices brought on a surge in consumer spending and construction works, demand for trucks was greatly boosted by the increased economic activity that characterised the period.

The market for medium to large trucks grew to a peak of 191,000 units in fiscal 1990, as real estate developers and newly wealthy individuals contributed to a construction boom.

But when the asset inflation "bubble" burst and the Japanese economy entered one of its longest periods of economic slowdown since the war, the commercial vehicle sector underwent a prolonged slump lasting 35 months until early 1994.

What has helped the industry to recover from that downtrend has not been an improvement in the domestic economy. Although the Japanese government has pumped significant amounts of public funds into construction projects in a bid to boost the stagnant economy, the beneficial impact of that effort has not been felt by manufacturers of trucks.

For one thing, since the average replacement cycle for dump trucks is between 6 and 10 years, the large number of trucks, such as dump trucks, which were bought during the construction boom of the late 1980s are still widely in use, says a representative of Isuzu, one of Japan's leading commercial vehicle makers. Sales of dump trucks were slashed from 20,000 units in 1988 to 10,600 in 1993, Isuzu notes.

Instead, the recent performance of the market has been more closely related to a number of regulatory changes, which have been the main triggers of growth.

In May, 1994, overloading restrictions were strengthened by the government in a move which drove many truck owners to replace their vehicles with larger models.

At the same time that the stricter overloading restrictions were introduced, the government eased regulations on the maximum combined weight of cargo and truck from 20 to 25 tonnes.

### Impact

These factors made for a burst of replacement activity which has had a far more significant effect on the market than the state of the economy. One notable result has been an increase in larger trucks with a gross tonnage of 25 tonnes due to deregulation of maximum weights.

Although the heavy weight truck sector accounted for only 6 per cent of heavy-duty truck sales in early 1995, sales grew to comprise 17 per cent of the category at the beginning of this year, points out Mr Takaki Nakanishi, industry analyst at Merrill Lynch in Tokyo.

Meanwhile, tougher emission controls have been introduced into Japan, which have prompted replacement demand both for older type vehicles ahead of the grace period which ended last August, and new vehicles, which meet the stricter requirements.

Tougher rules on NOx emissions of trucks made prior to 1989 also precipitated replacement demand of 20,000 units in fiscal 1995 alone, according to Mr Nakanishi. In reaction to the surge in demand, triggered by the regulatory moves, the market dipped somewhat in the first half of this year. But looking ahead in the near-term, the commercial vehicle market is expected to see an improvement over the next year or so.

There are reasons to be somewhat optimistic about the industry's outlook: improvements in the Japanese economy are expected to boost cargo-trucking activity, which in turn will stimulate demand for trucks. Government plans to ease regulations concerning the number of trucks necessary to set up a business in the trucking industry could also encourage more companies to be set up, thereby stimulating demand. Furthermore, the planned rise in the consumption tax early next year could trigger a rush of buying by companies looking to beat the increase from 3 per cent currently to 5 per cent, Isuzu believes.

Combined with the pick-up in economic activity, the heavy-duty and medium-duty cargo truck markets could see double digit growth in the second half to March, Merrill Lynch's Mr Nakanishi believes.

In the longer-term, however, Japan's commercial vehicle manufacturers face the need to comply with emission control regulations that will be much tighter than those that exist today.

Between 1998 and 1999, long-term controls which aim to significantly reduce NOx and $CO_2$ emissions, as well as particulates, will be introduced that will require companies to fully remodel their engines.

### Standards

"It will be a real test of the individual truck manufacturers' abilities to meet these new regulations," notes an Isuzu representative. Not all companies will be able to meet the new standards in all of their trucks and will be forced to drop some of their models, he believes.

Isuzu itself has pulled out of the passenger car market so that it can concentrate on directing more of its resources to meeting the stricter regulations. Faced with the prospect of the tougher regulations, the company decided that it had better give up its operations in passenger cars, where it was not a major force, and focus its energies on the sector of the market where it is more competitive, according to the Isuzu representative.

Although Japan has a smaller number of commercial vehicle makers than it does passenger car manufacturers, it is likely that amid stricter environmental regulations, leading commercial vehicle makers will concentrate their energies on a smaller range of products in order to stay competitive.

**Japanese truck manufacture**

Production by Weight Sector & Manufacturer

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|---|
| **Hino** | | | | | | | |
| Medium | 40,087 | 43,380 | 44,885 | 41,087 | 39,150 | 47,848 | 44,800 |
| Heavy | 35,000 | 28,560 | 25,740 | 24,300 | 27,085 | 28,700 | 31,540 |
| | 75,087 | 71,940 | 70,625 | 65,387 | 66,218 | 72,548 | 76,340 |
| % chya | 9.3% | -4.2% | -1.8% | -7.4% | 1.3% | 9.6% | -5.2% |
| **Isuzu** | | | | | | | |
| Medium | 72,294 | 73,260 | 77,928 | 74,356 | 72,980 | 78,937 | 82,000 |
| Heavy | 22,929 | 18,480 | 16,770 | 15,975 | 17,264 | 18,360 | 19,380 |
| | 95,223 | 91,740 | 94,698 | 90,331 | 90,244 | 97,297 | 101,380 |
| % chya | 2.8% | -3.7% | 3.2% | -4.6% | -0.1% | 7.8% | 4.2% |
| **Mitsubishi** | | | | | | | |
| Medium | 39,905 | 37,620 | 41,065 | 40,178 | 40,228 | 43,618 | 44,400 |
| Heavy | 24,341 | 15,960 | 15,834 | 15,750 | 17,762 | 19,350 | 20,330 |
| | 64,246 | 53,580 | 56,899 | 55,928 | 57,990 | 62,968 | 64,730 |
| % chya | 14.0% | -16.6% | 6.2% | -1.7% | 3.7% | 8.6% | 2.8% |
| **Nissan Diesel** | | | | | | | |
| Medium | 23,566 | 24,840 | 26,167 | 25,270 | 24,920 | 26,627 | 28,000 |
| Heavy | 27,693 | 21,000 | 19,656 | 18,975 | 20,916 | 22,590 | 23,750 |
| | 51,259 | 45,840 | 45,823 | 44,245 | 45,836 | 49,417 | 51,750 |
| % chya | 17.7% | -10.6% | 0% | -3.4% | 3.6% | 7.8% | 4.7% |
| **Toyota** | | | | | | | |
| Medium | 2,580 | 900 | 355 | 909 | 712 | 772 | 800 |
| % chya | -41.6% | -65.1% | 6.1% | -4.8% | -21.7% | 8.4% | 3.6% |
| **TOTALS** | | | | | | | |
| Medium | 178,432 | 180,000 | 191,000 | 181,800 | 178,000 | 193,000 | 200,000 |
| % chya | -4.7% | 0.9% | 6.1% | -4.8% | -2.1% | 8.4% | 3.6% |
| Heavy | 109,963 | 84,000 | 78,000 | 75,000 | 83,000 | 90,000 | 95,000 |
| % chya | 40.1% | -23.6% | -7.1% | -3.8% | 10.7% | 8.4% | 5.6% |
| Total 6t plus | 288,395 | 264,000 | 269,000 | 256,800 | 261,000 | 283,000 | 295,000 |
| % chya | 8.6% | -8.5% | 1.9% | -4.5% | 1.6% | 8.4% | 4.2% |

Note: Source statistics are based on vehicle carrying capacity, and refined to correspond to approx. 6-15t GVW defined as Medium duty; Heavy is above 15t GVW and includes Artics. Historical Data Source: JAMA. Source: DRI

■ **South Korea** • By John Burton in Seoul

# A mountain of problems

## The construction industry's slowdown has hit the heavy truck sector hard

The South Korean truck industry has shifted into low gear as it confronts a mountain of problems. Domestic sales are stagnant and a sharp growth in exports is unlikely in the near future because of the industry's lack of overseas marketing experience.

Commercial vehicles accounted for a fifth of the 2.5m vehicles produced in Korea last year. Most were medium-sized vans and buses manufactured by Hyundai Motor and Kia Motors, which had 46 per cent and 38 per cent respectively of the domestic commercial vehicle market in 1995.

The heavy truck segment is much smaller, with an estimated 35,000 vehicles produced last year. Asia Motors, a subsidiary of Kia, and Ssangyong Motors have traditionally dominated this sector. In the last few years, Daewoo and Samsung have entered the large truck industry attracted by the normally high profit margins for these vehicles.

But after buoyant sales for commercial vehicles in the early 1990s, domestic demand has been sluggish since 1994. Domestic sales increased by only 2.6 per cent to 325,000 vehicles during the first nine months of 1996.

The sluggish sales reflect the problems affecting the rest of the Korean motor industry, including market saturation and highly congested roads. In addition, small companies, which are the biggest consumers of commercial vehicles, have suffered the most from a recent economic slowdown.

Problems are even more acute for the heavy truck industry, which had a 3.9 per cent fall in domestic sales to 24,355 vehicles during the first nine months of this year – "heavy-duty trucks are highly geared to the construction industry, which is not growing as fast as it did during the building boom of the early 1990s," says Mr Don Lee, motor analyst for BZW Securities in Seoul.

Almost 80 per cent of the heavy trucks produced in Korea are related to the construction industry, including dump trucks and special purpose vehicles. Mr Lee believes that sales would have fallen even further if the truck producers had not been able to sell the heavy vehicles to construction companies associated with their industrial groups.

One indication of the effect of construction slowdown on large truck sales is that Asia and Ssangyong recently reported inventories equivalent to two months' production. Both companies are expected to report losses this year. The poor market conditions have forced Halla Heavy Industries to postpone plans to begin truck production using imported technology from Iveco of Italy.

In apparent response to the slowdown, Samsung Heavy Industries this summer spun off its truck venture into a separate company, Samsung Commercial Vehicle, to reduce its capital costs and share the financial burden among other Samsung subsidiaries.

Samsung began truck production in 1994 in association with Nissan of Japan as a stepping stone to the group's goal of making passenger cars by 1998. Last year, construction was started on a Won 1,200bn plant to produce 200,000 small trucks and vans by 1999 in addition to Samsung's current range of 3,800 heavy trucks.

But some analysts speculate that Samsung might reduce its planned truck production capacity if the market remains sluggish. In addition, Samsung is spending at least $5bn on passenger car production, which could deprive funds from the truck operation.

However, Daewoo Heavy Industries appears committed to expanding its new truck venture. It invested $100m to develop 13 new heavy truck models last year and recently expanded production capacity to 20,000 large trucks at its factory complex at Kunsan.

Upon completion of additional facilities for the production of small and medium trucks by 2000, the commercial vehicle complex will have a total annual production capacity of 190,000 vehicles. Although Daewoo exported only 100 trucks last year, it has ambitions of creating a large overseas market, particularly in Europe following its recent acquisition of the Czech truck producer Avia.

Exports account for only a small share of sales for other Korean truck producers. But they are gradually establishing overseas production bases. Hyundai last year established a joint venture in the Netherlands to assemble 5,000 3.5-tonne trucks annually and is planning to assemble 10,000 one-tonne trucks in the Czech Republic and Bulgaria.

Asia Motors is building a $200m plant in Brazil, its single largest export market, to produce 60,000 one-tonne trucks by 1999. The move was in response to recent tariff increases on imported vehicles by the Brazilian government.

Meanwhile, Ssangyong is planning to increase overseas van sales to 15,000 vehicles next year through the global distribution network of Mercedes-Benz, which holds 5 per cent of Ssangyong. Ssangyong is producing the vans on an original equipment manufacturing basis for Mercedes.

**South Korean truck manufacture**

by weight sector and manufacturer

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|---|
| **Hyundai** | | | | | | | |
| Medium | 2,110 | 2,225 | 2 345 | 2 473 | 2 607 | 2 749 | 2 898 |
| Heavy | 8,730 | 9,298 | 9 357 | 7 762 | 6 866 | 6 127 | 6,311 |
| | 10,840 | 11,523 | 11,702 | 10,235 | 9,473 | 8,876 | 9,209 |
| % change | 0.8 | 6.3 | 1.6 | -12.5 | -7.4 | -6.3 | 3.8 |
| **Kia** | | | | | | | |
| Medium | 10,553 | 11,693 | 11 658 | 12 214 | 12,554 | 13 170 | 13 565 |
| | 10,553 | 11,693 | 11,658 | 12,214 | 12,554 | 13,170 | 13,565 |
| % change | 19.6 | 10.8 | -0.3 | 4.8 | 2.8 | 4.9 | 3.0 |
| **Asia** | | | | | | | |
| Medium | 431 | 439 | 434 | 423 | 404 | 391 | 397 |
| Heavy | 3,982 | 4,163 | 4,303 | 4,289 | 4,105 | 4,006 | 4,187 |
| | 4,413 | 4,602 | 4,737 | 4,712 | 4,509 | 4,397 | 4,584 |
| % change | 3.6 | 4.3 | 2.9 | -0.5 | -4.3 | -2.5 | 4.3 |
| **Daewoo** | | | | | | | |
| Medium | 7,753 | 7,841 | 8,086 | 8,344 | 8,172 | 8,511 | 8,775 |
| Heavy | 2,704 | 2,585 | 3,056 | 3,445 | 3,693 | 4,006 | 4,147 |
| | 10,457 | 10,426 | 11,142 | 11,789 | 11,865 | 12,517 | 12,922 |
| % change | -5.3 | -0.3 | 6.9 | 5.8 | 0.6 | 5.5 | 3.2 |
| **Ssangyong** | | | | | | | |
| Heavy | 3,385 | 3,832 | 4,513 | 5,094 | 5,445 | 5,656 | 5,826 |
| | 3,385 | 3,832 | 4,513 | 5,094 | 5,445 | 5,656 | 5,826 |
| % change | -7.3 | 13.2 | 17.8 | 12.9 | 6.9 | 3.9 | 3.0 |
| **Samsung** | | | | | | | |
| Heavy | 3,212 | 3,377 | 4,001 | 3,782 | 3,393 | 3,527 | 3,632 |
| | 3,212 | 3,377 | 4,001 | 3,782 | 3,393 | 3,527 | 3,632 |
| % change | 183.7 | 5.1 | 18.5 | -5.5 | -10.3 | 3.9 | 3.0 |
| **Halla** | | | | | | | |
| Heavy | 0 | 0 | 244 | 500 | 805 | 896 | 914 |
| | 0 | 0 | 244 | 500 | 805 | 896 | 914 |
| % change | | | | 104.9 | 61.0 | 11.3 | 2.0 |
| **TOTALS** | | | | | | | |
| Medium | 20,847 | 22,198 | 22,523 | 23,454 | 23,737 | 24,821 | 25,635 |
| Heavy | 22,013 | 23,255 | 25,230 | 24,372 | 23,502 | 23,322 | 25,017 |
| | 42,860 | 45,453 | 47,753 | 47,826 | 47,239 | 48,143 | 50,652 |
| % change | 8.1 | 6.0 | 5.1 | 0.2 | -1.2 | 1.9 | 5.2 |

Note: Source statistics are based on vehicle carrying capacity, and refined to correspond to approx. 6-15t GVW defined as Medium duty; Heavy is above 15t GVW plus Artics. Source: World Truck Industry Forecast Report, November 1996. Historical Data Source: KAMA

Forging ahead: trucks under construction at Daewoo's vast new Kunsan plant, located on the west coast of South Korea